

FINANCIAL TIMES

Polish telecoms

Facing competition from within

Page 3

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Section 12 (1) 12 Department

23/4/1/2/1949 M. John Steel W.



Welfare Breaking the dependency cycle

Asia in Crisis ripples spread



Global Business

International strategies bring risks and rewards

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World Business Newspaper http://www.FT.com

WORLD NEWS Iraq risks UN stand-off by blocking arms

inspections

Iraq is to block the work of a UN arms inspection team headed by American Scott Ritter, whom it has accused of spying for the US. The move is likely to provoke another stand-off with the UN. whose secretary general, Kofi Annan, last night met chief UN arms inspector Richard Butler to discuss developments. "We have not decided to halt any inspections", Mr Annan said. Page 16; Envoy fears conflict, Page 6

US eavey steps in Robert Gelbard, chief US envoy to the Balkans, intervened in the Yugoslav republic of Montenegro, where a demonstration raised fears that Belgrade would declare a state of emergency. Page 3

Japan apologises Japan apologised officially for the treatment of British prisoners during the second world war, but one British vetarans' group dismissed the move as "an insult".

Here moves on N tretand Britain and Ireland mapped out proposals to revive the struggling Northern Ireland peace process. They proposed new structures involving London, Dublin and Belfast. Page 16; Details, Page 10

Natanyahu survivas vote Israeli prime minister Benjamin Netanyahu survived a no confidence vote - the first since his majority was reduced to one by the defection of fureign minister David Levy and his followers.

Reparation for E Europe Jowa Germany said it had reached an agreement with the Jewish Claims Conference on paying DM200m (\$110m) restitution to eastern European Jewish survi-vors of the Holocaust, Page 2

Yeltskir's first 1988 meeting Russian president Boris Yeltsin will hold his first official 1998 meeting at his holiday retreat. Ill since December, he has scarcely been seen in public this year.

German pay call rejected German interior minister Man-fred Kanther rejected calls for a 4.5 per cent pay rise for some 5m diic sector workers. *De*d for such a rise were "not in touch with the real world", he said.

Tension rose in a Spanish coal dispute after a miner was killed by a car trying to bypass a barricade in the northern Asturias region. Unions have paralysed production at state-owned mines in a campaign against cuts.

French cows strughtered A French berd was slaughtered after an animal developed mad cow disease - France's 32nd BSE case since 1990.

Rossido Player of the Year Brazilian striker Ronaldo of Inter Milan was named Fifa's World Player of the Year for the second successive year. Compatriot Roberto Carlos of Real Madrid was second and Arsenal's Dutchman Dennis Bergkamp third.

Townstadt dies East German conductor Klaus Tennstedt, a famed Mahler interpreter, died in Kiel aged 71. After a western debut with the Boston Symphony Orchestra, he went on to become chief conductor of the London Philharmonic.

Sun launches cut-price workstation

Sun Microsystems of the US will today launch an attack on the market for computer work-stations with new low-priced machines combining workstation and personal computer features. Page 17; Technology, Pagw 11

latest personnel change since Fred Hassan took over as chief executive in May 1997. Page 18

facturers, has become the second biggest producer of high quality chocolate in the US by acquiring San Francisco's Ghirardelli

The rally in European and US bond markets has triggered a big rise in corporate bond issues as treasurers make the most of the cheapest long-term debt in

Adidas chairman Robert Louis-Dreyfus pledged that the FFr8bn (\$1.3bn) acquisition of Salomon, the French ski and golf

Royal Dutch/Shell is to boost the number of women and nationalities in top management

Cammell Laird, the UK ship

Komercei Banka, the Czech Republic's biggest bank, said it would make Kc3.5bn (\$97.6m) of new provisions in its 1997 accounts but still expected to

(\$683m) sale of its car systems business to Mannesmann of

in demand because of the Asian economic crisis with aluminium the least exposed, says one analyst. Commodities, Page 28

airline, is to submit a bid to acquire Air Holland, the Dutch

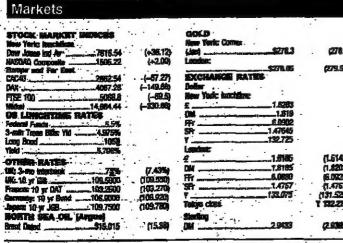
Hagemeyer, the Dutch trading

finance and stockbroking

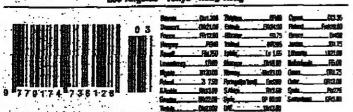
Booling retained its leadership of the world's aircraft industry last year, beating Airbus Industrie in orders and deliveries. Page 4

Hitten Hotels plans to double the number of its mid-priced. Hilton Garden Inn Hotels to 200 by 2000. Page 18

New FT record



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BUSINESS NEWS

computers

Chocolate Company. Page 20

decades. Page 17; Bonds, Page 26

company, would lead to no significant job losses. Page 20

as part of a shake-up of its corporate culture. Page 17

repair and conversion group which floated last July, is poised to sign an agreement to operate the Gibraltar shipyard. Page 24

make a profit. Page 20

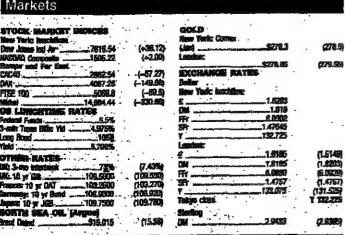
Germany, Page 19

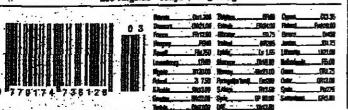
charter operator, to establish a Sicensica, Sweden's largest

company, expects to show an increase in Asia-Pacific profits for 1997 and 1998 in spite of regional upheavals. Page 20

companies, Page 22

Sales of the Francist Times jumped 13.9 per cent in the year to December, litting a record of 342,122 copies a day on everage world-wide, according to the Audit Bureau of Circulations. Sales rose in all regions of the world. The six-month manage sale for the second half of 1997 was 329,793, 10.8 per cent up on the same period of 1996.





Phermacia & Uplohn, the US-Swedish pharmaceuticals company, is replacing finance director Bob Salisbury, 54, in the

Lindt & Sprangil, one of Europe's oldest chocolate manu-

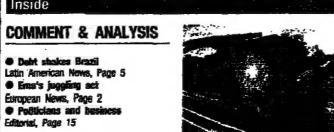
Philips, the Dutch electronics group, has finalised the Fl 1.4bu

Copper and nickel are the base metals most likely to suffer drops

Encylet, the UK low-fares

construction group, is seeking buyers for its Swedish forest holdings in a sale estimated at SKr1bn (\$125m). Page 19

Doutsche Bank has acquired the business of EL & C Baillieu, one of Australia's oldest corporate



Professors in court

appeal against Emu

TECHNOLOGY

 Green signal on traffic lights Technology, Page 11 Digital TV stumbles UK news, Page 9

FINANCE Shoold Chins devalue?

Personal View, Page 14 • Corporate treasurers cash in Page 17

World Stock Markets, Page 38 Highlights at a glance Global Equity Markets, Page 37

Andersen bad blood

International Companies, Page 18

EMERGING MARKETS

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Hang Seng index falls almost 9% as troubled Peregrine files for liquidation

HK bank collapse shakes markets

By our Financial and international staff

Peregrine Investment Holdings, Hong Kong's largest investment bank. filed for liquidation yesterday, plunging the territory's financial markets into turmoil and sparking a further wave of selling in global equities.

In Europe, the FTSE 100 index fell 69.5 to close at 5068.8 and was down 150 points at its lowest. Its fall was halted when the Dow Jones Industrial Average recovered from a 137 point drop. At Ipm New York time, the Dow had edged 36.62 points higher to 7.617.04, having fallen 222 points last Friday.

Peregrine's demise fuelled anxieties about the impact of Asia's financial crisis on Hong Kong. sending the benchmark Hang Seng index down by almost 9 per cent and pushing interest rates sharply higher. The stockmarket has now lost more than half of its value since last August.

Hong Kong's red chips - main-land-controlled companies - fell by more than 20 per cent as investors responded to concerns that China could consider devalu-

Investment managers said the upheaval in Hong Kong marked a further vicious twist in the regional crisis. "You have a situation now with general panic in the region setting in," said Mark Mobius, head of Templeton's per cent higher. US\$14bn emerging markets fund. Nonetheless, the other recent

trouble-spots in the region, Korea

comments from IMF officials in Asia. The Korean market bounced by 3.5 per cent, while the Indonesian market closed 2

300 Jun 1997 96

The Indonesian market could investors. take further strength from the comments of Indonesian Central Bank Governor Sudradjad Djiand Indonesia, both recovered yesterday, helped by positive wandono yesterday. He said the with the Hong Kong market and the US carnings reporting season

year's national budget, which has

government would not bail out the weighting of stocks like the country's indebted private HSBC Holdings, Standard Char-sector and would review next tered and Cable & Wireless.

investors remain nervous been heavily criticised by foreign James Montier, global strategist at NatWest Markets, said: "I am Contagion spread through still very cautious about equities Europe, with London particularly on a three- to six- month time badly hit, given its strong links horizon. We are about to enter

Continued on Page 16 Japan admits scale of bad loans. Page 5: Asia in crisis, Page 8: Asian investment in UK holds up. Page 10; Shelter from the storm. Page 14; Grizzly start to the year, Page 15; Lex. Page 16; Creditors await Peregrine fallout, Page 17;

Morgan Grenfell name to go in revamp

By Clay Harris,

Deutsche Bank is planning a shake-up of its global investment banking business which would would step down as DMG's chief seen as its immediate response to by a structure which "put one responsible for it. see London-based Morgan Gren- executive. fell lose its name and much of its

Under the plans, Germany's largest bank would combine its in the face of fierce competition own corporate banking activities by US houses and a global with Deutsche Morgan Grenfell, merger wave. It bopes to announce the change before reporting its annual

results on March 30. Deutsche Bank also plans to bring its retail and institutional

By Peter Norman in Bonn and

Four German professors lodged

an appeal with the nation's con-

stitutional court yesterday

against the government's plans

to join the single European cur-

rency. However, the European

Commission privately predicted

that their challenge would fail.

Presenting a 352-page complaint, the professors requested an injunction to prevent the sin-

gle currency from going ahead before the court reached a final

The four asserted that Europe's economic and monetary

union would be neither stable

Lionel Barber in Brussels

Deutsche Bank is the latest European institution to review its investment banking business

responsible for more than them through.

National Westminster in the UK. consolidation. have decided to retrench.

Others, like Dresdner Bank in asset management arms under

threatened their property rights,

as guaranteed by the German

Moreover, the Bonn govern-

ment's determination to see the

single currency start next Janu-

ary infringed the constitutional

duty of the Bundestag, the lower

house of parliament, to represent

In Brussels, a senior Commis-

sion official discounted the sug-

gestion that the German consti-

tutional court could block

monetary union once EU leaders

Rome faces challenges, Page 2

Solid state traffic lights may develop

Continued on Page 16

the German people.

constitution.

Deutsche Bank in size.

The plan to create a single driving up the cost of investment "wholesale bank" which does banking staff.

the agreed merger of Swiss Bank face to the customer". The 160-year-old name of Mor-

Corporation and Union Bank of Switzerland, which enabled the gan Grenfell would be dropped. fell when Deutsche Bank bought combined Swiss bank to vault Deutsche Bank appears to be by US houses and a global lt indicates that Deutsche Bank order before joining the rush for other bank's activities, DMG's member. He was previously head was previous recruitment push is credited with

one umbrella. The combined are planning reorganisations or the model of J.P. Morgan, the US have a UK-based chief executive asset management business, have already managed to push bank. Deutsche Bank feels it has in place of Mr Dobson. Two failed to get a sufficient flow of Frankfurt-based executive board DM470bn (\$258bn), is likely to be Deutsche Bank's plan is among headed by Michael Dobson, who the most radical yet and can be believes this could be remedied Carl von Boehm-Bezing, would be

chief executive of Morgan Grenit in 1989. As head of combined aiming to exert more control over asset management, he would of asset management at Morgan

Lex. Page 16



of the Nazi Holocaust not covered

The deal is expected to pave the way for an estimated 18,000 Jewish victims to receive monthly pensions of about DM250 (\$138). It was struck by Friedrich Bohl, minister in the office of Helmut Kohl, the German chancellor, after negotia-

ference, which will handle distribu-tion of the money.

ish Congress welcomed yesterday's subject to recipients being in genu-rine need and having so far received more active in identifying the num-

ended, Germany has provided Berlin Wall, the cold war has about DM100bn in compensation for Holocaust victims. But until the European Holocaust survivors," end of the cold war, survivors liv- said Elan Steinberg, executive ing in the former Soviet bloc were unable to make claims.

faced complaints that the provisions were inadequate.

The New York-based World Jew-

Since the second world war nearly 10 years after the fall of the finally come to an end for the east

Under yesterday's deal, subject After German reunification in to parliamentary approval, the 1990, the German government DM200m would be paid over four extended aid beyond the former years, starting from next year, into Iron Curtain, but it had recently a fund established by the Jewish Claims Conference. The method of fund itself. But payments would be

director of the WJC.

Mr Bohl said Germany welcomed Claims Conference. Germany was happy to support the latest fund and would continue with its exist-. ing compensation schemes across eastern Europe. "In total, the government has spent almost DM1.8bn French banks to ensure that they since 1991 servicing compensation for Nazi victims in eastern

In Paris, a government-backed commission said yesterday the next report.

ber of paintings appropriated from Jews during the war. In a prelimithe initiative taken by the Jewish nary report, the commission said it was regrettable that the service had identified only in rough figures of about 2,000 the total number of

> The report's authors also warned carried out research into what had happened to unclaimed deposits after France's liberation, and said

New Russian rouble hailed as a success

By John Thomhill

yesterday hailed the redenomination of the rouble as a success which should help put the country firmly on the path to economic

But Russia's hopes of a robust turnaround were kept in check as share prices were dragged down by the continuing fall out from Asia's economic woes.

The stock market fell more than 14 per cent as international investors reduced their exposure to emerging markets. Since the start of the year, the RTS index has tumbled 19 per cent, making it more difficult and costly for Russian companies to raise investment capital.

Arnold Voilukov, the bank's first vice-chairman. said the redenomination had passed off "without failures and in an organised manner". But he forecast it would take another three to four months for the new redenominated banknotes to flush most of the old ones out of circulation. "We have not set ourselves the task of replacing old money with new money in a single go, in order to spare the population from confusion and frayed nerves." he said.

From the start of 1998, the central bank chopped three zeros off the rouble and began issuing new notes and coins as it withdrew old ones. But old rouble banknotes can be freely used until the end of the year. and can be exchanged thereafter at commercial banks until 2002.

adverse experience of previ-

mass publicity campaign to explain the redenomination. It set up telephone hothnes Russia's central bank in every regional branch to answer the public's concerns and conducted a mass advertising campaign to highlight how the it would work.

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Minflation at 40-ve

Mr Voilukov said there had been no signs of panic buying of US dollars as some observers had feared, and he dismissed suggestions that the redenomination had fuelled inflation.

He said the central bank was sticking to its forecast of 1 per cent inflation in January - although there has been much anecdotal evidence suggesting shopkeep ers pushed up prices sharply in December. Roland Nash economist at MFK Renaissance, a Moscow-based investment bank, said the central bank's media campaign appeared to have won people's confidence.

 Russia's top prosecutor pledged yesterday to complete a probe into the so-called "book scandal" which implicated senior government officials including the first deputy prime minis ter, Anatoly Chubais, AP reports from Moscow.

The prosecutor general Yuri Skuratov, said the chief figures in the affair had already been questioned, the Interfax news agency reported

The shady book deal led President Boris Yeltsin to fire three officials close to Mr Chubais last November. He also removed Mr Chubais: as finance minister.

The scandal erupted last autumn when it became known that the officials, Mr Chubais included, had To counter the public's accepted advances of \$90,000 each for an unfinished book ous currency reforms, the about Russia's privatisation

Vote on bribe case threatens Italy's reforms

James Blitz reports on new problems for the Prodi government

sition, infuriated by alle-gations of judicial corruption against one of its threatening to retaliate by sabotaging crucial reforms of Italy's constitution.

The row over the activities of Cesare Previti, a former defence minister, is disturbing the relative calm which has characterised Italian politics since the centre-left government of Romano Prodi almost collapsed three

Mr Previti is one of the closest acolytes of Silvio Ber- amount. In turn, he is lusconi, the opposition alleged to have received leader, former prime minisservative Forza Italia political movement.

For the last five months, Mr Previti, an advocate who was defence minister in Mr Berlusconi's short-lived 1994 government, has been the focus of an investigation by Milan magistrates in Italy's biggest case of judicial corruption since the war.

The magistrates accuse Mr Previti, whose knitted brow and Ray-Ban sunglasses are now a regular feature of Italian television news, of bribing a number of judges in Rome between 1986 and 1989

ness conglomerate.

Mr Previti is also accused of bribing a group of judges leading political figures, is three years ago to reach a verdict in favour of the now defunct SIR chemicals firm in a lawsuit against IMI, the Rome-based credit institute.

The allegations are remarkable in themselves, if only for the sums involved. In the SIR lawsuit, for example. Mr Previti is alleged to have paid L67bn (\$38m) to a group of judges, who went on to award damages that were roughly ten times that L21bn in a Swiss bank account for his role in the

The political sensitivity of the case is heightened by the proximity of the defendant to Mr Berlusconi, whose own political future has been in doubt for some time. The Milan magistrates recently announced that they would initiate proceedings against Mr Berlusconi on charges that are related to some of those in the Previti case.

Both Mr Previti and Mr Berlusconi have vehemently denied all the allegations against them, saying that they are victims of a politiwith money put at his dis- cal campaign by a clique of

trates.

But the Previti affair has turned into a political issue with broader repercussions, because the former defence minister is still a member of the chamber of deputies and therefore has immunity from prosecution.

In a scene that the Italian press is anticipating as something out of the French revolution, the 630 members of the lower house of parliament will therefore have to vote next week on whether Mr Previti should be arrested.

The outcome of the vote could spell trouble for the Prodi administration. If the chamber votes "yes" to Mr Previti's arrest, Mr Berlusconi and his allies will wreck all further progress in Italy's constitutional reform.

They will argue that the constitutional reform package - the so-called bicomerale - can only go shead if it contains a massive crackdown on Italy's magistrates, something the government parties refuse to accept.

would be a serious blow for Mr Prodi's administration, raising questions about its future after Italy's expected posal by Mr Berlusconi and aggressive and excessively approval in May for member-

taly's centre-right oppo- his former Fininvest busi- independent Milanese magis- ship of the European economic and monetary union. Indeed, Massimo D'Alema, the leader of the Party of the Democratic Left (PDS) and the driving force behind the constitutional changes, has warned that the wreckage of the bicamerale would inevitably have to lead to elecnext week? There was one sign yesterday that cooler heads are prevailing when a parliamentary commission

> should be kept at liberty. However, the vote was close (10 to eight with two abstentions) and there is every possibility that the full chamber will reverse the decision next week.

agreed that Mr Previti

In the end, the verdict will come down to the deputies in the PDS. They will want to save the constitutional reforms that Mr D'Alema has spearheaded and could be tempted to vote against arrest in a secret ballot. But many PDS deputies

will want to take account of the feelings of their support-In turn, the disruption of ers in the country. Accordthe constitutional process ing to an opinion published yesterday, some 62 per cent of these grass-roots supporters are firmly in favour of Mr Previti's detention



Previti on his way to face a parliamentary committee

Swedes seek UK Labour advice | Monaco gets Grimaldi bonus

government on campaign tactics and handling of the media ahead of the Swedish general election next September.

The left-of-centre party, hoping to defend its minorsent 20 'senior officials to London to study how the Blair and Goran Persson. Labour party secured its comprehensive election victory last May.

The delegation, led by

or failure of

monetary

depend to a

large extent

central

advice from Britain's Labour branch networks and political canvassing.

London said the effort had followed increased contacts and their UK counterparts, rowed. culminating in last Novemity hold on power, recently ber's meeting between the two prime ministers, Tony "During the autumn, we

had six or seven Swedish cabinet ministers visiting the UK. The main purpose Ingala Thaien, the general was about how to construct secretary, was given advice an [election] victory."

paign areas, including fund- in the SDP's opinion poll rat- Swedish party's last election Sweden's ruling Social raising, recruiting new party ings last summer. The party campaign in 1994, when it Democratic party is seeking members. establishing saw its popularity fall from defeated the Moderates. 33.5 per cent in June to 31 per cent in August, while A Swedish diplomat in support for the rival Moderate party rose from 32.5 to 35 per cent. Since then, the gap between Swedish ministers is understood to have nar-

SDP officials said more meetings were being planned with Labour and Garmany's which hopes to oust Helmut Kohl's centre-right coalition rate of 40 per cent. next September.

Karl Petter Thorwaldsson,

"They even copied our campaign slogan - 'Sweden deserves better'," he said. Sweden's election cam-

paign is expected to be dominated by tax and unemployment. report commissioned by the Swedish Taxpayers Association showed Swedish income tax Social Democratic party, levied at rates of up to 68 per cent, against the UK's upper

Unemployment in Sweden fell from 13.3 to 11.5 per cent head of information at the in November, against 7.2 per SDP, said British Labour cent in the UK.

casinos, in investing substantially in celebrating the 700th anniversary of the rulpaid off handsomely.

Figures just released by the state show that it more than trebled its money, generating FFr200m-FFr300m (\$33m-\$50m) in supplementary revenues last year against expenditure on the celebrations of FFr70m.

The statistics were

principality in southern sharply higher than in the income taxes, although it France best known for its surrounding regions of

France. The property, hotel, banking and retailing sectors all ing Grimaldi family has reported strong increases in sales, while value added tax receipts rose by nearly 8 per cent to FFr1bn.

After two years of budget deficits designed to finance a number of beavy infrastructure projects, Michel Levêque, the senior government minister, said in an interview that he expected a

He stressed that there was was possible that new charges for municipal services - such as household waste collection - could be

levied in the future. Discussions continue between France and Monaco over the formula by which a social security contributions proportion of VAT levied by in the principality. The France is paid over to the French government wants principality, providing the state with its largest single source of revenue. Both the French social security sides argue that the current deficit. The case is being

ity which showed that total no question of breaking on modifications to the level turnover rose by 14 per cent with Monaco's longstanding of reimbursements paid by system to French workers treated in Monaco's hospitals, which charge relatively high rates.

Separately, there are tensions over French employees working in Monaco, who are subject to very minimal these employees to pay new taxes introduced to pay off examined by the European

ECB must manage the mix



Preparing ticians and for Emu

bankers manage the so-called "fiscal-monetary mix", a term describing the interaction between fiscal

and monetary policy. The mix, which incorporates the combined policy ation could give rise to stance of an economic area and is generally counter-cyclical, is the subject of intense interest among economists and central bankers gearing up for Emu.

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Responsible Publisher: Hugh Carnegy 466 618 6088. Printer: AB Kvallstudningen Expressen. PO Box 6007. \$-550 0c. Jonkopang. © The Financial Times Limited 1998.

lative area, with an almost European endless number of scenarios. What makes Emu potentially complicated is the union will degree to which EU-wide fiscal policy remains decentralised. To set an appropriate

> have to co-ordinate with 11 member-governments - the likely first-wave participants - and the European Commission, which administers the EU's own budget.

> fiscal-monetary mix, the

European Central Bank will

a"free-rider" problem. Any single country's unilateral fiscal action would have little impact on the Emuwide average. As a result, governments -- especially in small countries - have an incentive to run the highest

permissible budget deficits.
Of course, if everyone acted this way, Emu-wide fiscal policy could err perma nently on the side of high deficits, and this could quickly become intolerable. Besides, individual government action is limited by a cetling set by the stability and growth pact, agreed at the EU summit in Amsterdam last June. The ceiling

stands at 3 per cent of gross domestic product. The ECB might decide to counter excessive fiscal deficits with a relatively tight monetary policy. If it compensated fully, interest rates higher than they would be under perfectly symmetric conditions.

The euro, the future single currency, might then rise against other currencies, the terms of trade for the entire Emu area would worsen, and economic growth would set-However, for political rea-

It is a complex and specu- sons, the ECB's monetary could face strains. The policy might be able to compensate only partly for fiscal laxity. In that case, inflation would be higher than under bility would, however, be a perfectly co-ordinated policy. Either outcome would ing with asymmetric shocks be seen as economically inefficient, socially undesirable and politically instable. In its latest discussion

paper ("Options for the future exchange rate policy of the EMU", CEPR Occasional Paper No. 17), the London-based Centre for Economic Policy Research notes that the rigid ceiling imposed by the stability and growth pact could perversely end up damaging the ECB's

authors make the point that flexible. Fiscal policy flexiextremely important in dealor asynchronous business cycles. As long as business cycles

are convergent and fiscal policy well co-ordinated, monetary policy may face few obstacles. But it is impossible to know whether some sudden crisis may blow change in arrangements.

This is why the current institutional and constitutional framework of Emu It considers a case in The CEPR researchers conwhich all except one or two clude that the stability and Emu countries are in reces- growth pact is untenable in

It is impossible to know whether a sudden crisis may blow up, forcing a change in arrangements

ation, the ECB would run a and will need to be replaced loose monetary policy. But by more supple rules, this stance would be inappropriate in the one or two countries not in recession. "A better policy would call

for a smaller monetary expansion, accompanied by a fiscal stimulus in those countries where the recession is deeper," according to the paper. The 3 per cent defwould be permanently icit ceiling "will put the ECB under pressure to opt for a tight fiscal-easy money policy mix. It will therefore all stance of fiscal policy will impede rather than assist not just become a subject of the ECB. Nor could the ECB argue for a lax application of already the case, but subjec the stability and growth to common rule. This means pact, for fear of losing its an unprecedented degree of

> This is one of many scenarios under which Emu

own credibility."

sion. Faced with such a situ- its present inflexible form, "Such a reform, however should be accompanied by procedures designed to for

ter the co-ordination of fiscal policies among national govand fiscal policies between Ecofin [EU economics and finance ministers] and the This would imply what "Emu-minimalists" been keen to avoid: the over-

economic government. Wolfgang Münchau

common concern, as is

split works in favour of the released alongside 1997 eco- net surplus again for 1998.

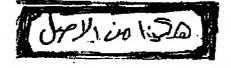
INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective

exchange rate is	en index w	ith 1985:	:100.									•				. 1
	E UN	ITED	STAT	ES		JAP	AN		_)ER	MAN	· .		
	Eports	Visitais trade isolance	Correct account balance	erch.	Elisabre tuch rate	Epons	Visible trade belonce	Correct account before		Effective exchange rate	ь	ports	Visible trade habitory	Corvent account belence		
1986	231.0	-140.6	-155.8	0.9836	81.4	208.9	94.2	87.2	165.11	127.7		48.7	53.5	41.8	2.1279	108.6
1987	220 <i>2</i>	-131.8	-145.6	1.1541	71.9	194.7	83.7	75.5	166.58	138.8		54.4	56.8	40.6	2.0710	
1968	272.5	-100.2	-108.4	1.1833	67.0	218.7	79.8	67.0	151.51	153.7		72.6	61.4	42.4	2.0739	114.1
1989	330.2	-99.3	-94.6	1,1017	70.0	245.5	70.6	53.4	151.87	147.0		10.1	65.1	51.5	2.0681	- 713.3
1990	309.0	-79.3	-72.1	1.2745	66.7	220.0	50.0	28.5	183,94	132.5		24.6	51.8	38.3	2.0537	118.
1991	340.5	-53.5	-4.6	1.2391	65.7	249.4	77.7	57.4	166.44	143.7		27.6	11.1	-14.6	2.0480	117.1
1992	345,9	-65.2	-43.5	1.2957	64.4	256.6	96.2	86.7	164.05	150.7		30.9	16.8	-15.0	2.0187	120.6
1993	397.3	-98.7	-77.6	1.1705	66.3	300.3	11B.6	1124	130.31	181.0		25.2	30.6	-12.1	1.9337	125.3
1994	432.3	-127.0	-112.6	1.1857	65.1	325.0	121.7	110.5	120.99	194.9		50.3			1.9198	125.6
1995	452.3	-122.8	-99.9	1,2928	61.2	331.1	101.3	85.3	121.43	204.8		04.4	37.5	-17.8	1,8509	132.1
1996	499.0	-135.9	-118.3	1.2526	64.4	319.8	66.6	52.6	136.24	177.7		16.1	46.6 52.1	-18.3 -10.4	1.8844	128.6
th qtr.1996	128.6	-34.8	-29.4	1.2557	65.0	80.4	17.0	13.1	141.72	171.2		25.9	14.1	-0.6	1.9217	127.0
st qtr.1997	140.6	-38.6	-34.1	1.1713	68.3	83.3	14.7	13.1	141.82	164.3		07.8	13.7	-4:8	1.9415	124.8
and qtr. 1997	152.8	-36.7	-33.2	1.1386	69.2	94.2	24.9	23.2	138.15	168.4		12.2	17.5	2.6	1.9511	123.3
3rd qtr.1997	159.4	-44,1	-38.7	1.0893	70.1	95.4	24.6	22.9	128.47	173.8		17.0	18.3	-1.3	1.9672	120.8
lovember 1996	42.9	~10.7	n.a.	1.2706	64.4	27.1	6.7	4.7	142.64	171.3	-	35.4	4.8	0.3	1,9207	127.3
December	43.0	-13.0	n.a.	1.2428	65.5	26.2	4.8	4.1	141.59	170.2		34.7	4.3	0.0	1.9286	126.2
January 1997	43.2	-14.3	n.a.	1.2105	66.7	28.4	5.9	5.6	142.63	166.5		14.9	2.5		1.9414	. 125.3
ebruary	46.9	-13.5	n.a.	1,1587	68.9	27.6	4.1	4.0	142.52	162.3		0.0	5.0	-0.8	1.9412	124.5
farch	50.8	-10.9	n.a.	1,1447	69.5	27.3	4.7	3.5	140.32	163.7		36.9	6.2	1.5	1.9418	124.5
L pril	50.7	-12.1	n.a.	1.1401	70.4	33.6	7.1	7.1	143.23	160.2		35.7	5.6	1.6	1.9509	123.9
Aay	50.6	-12.6	n.a.	1.1444	68.9	33.0	10.2	9.4	135.92	169.0		17.9	-5.4	-1.4	1.8491	123.5
lune	51.5	-11.9	n,a.	1.1312	68.4	31.2	7.8	7.5	129,31	176.5		3.8	6.5	2.4	1.9534	122.4
luly	52.5	-14.2	na	1.1011	69.2	32.4	7.7	7.3	126.84	177.0		8.8	6.3	-0.5	-1.9722	-120.6
lugust	54,6	-14.3	ກ.ສ.	1.0695	70.7	32.8	10.0	9.6	125.99	175.3		8.2	4.8	-2.6	1.9675	. 120.4
eptember	52.4	-15.6	n.a.	1.0974	70.5	30.2	7.0	6.0	132.58	169.2		Q.O	7.1	1.8	1,9618	121.5
October	52.7	-14.1	na	1.1191	70.0	33.0	10.4	10.0	135.36	167.8		8.6	4.7	-2.5	1.9555	
	FR	ANCE				I ITAL	.Y				E U	NET	ED K	INGD	MC	
	Seports	Visible trade telesco	Current account balance	Ecu exchange rate	Effective exch. rate	Esports.	Visible trade balance	Current account belonce	Eco exchange rate	Effective exchange rate	Fe	orts	Visible trade belance	Correct account helence	End exchange	Specific Section 200
1986 1987	127.1 128.3	0.0 -4.6	3.0	6.7946	102.7	99.4	-2.5	2.1	1461.6	101.4	10	8.3	-14.2	-1.3	0.6708	91.1
1001	120.3	9.6	-3.7	6.9265	102.7	101.0	-7.7	-1.9	1404 3	101 1	44	20	-48 4	-00	D 7047	·· · A9.3

September	52.4	-15.6		1.0974	70.5	32.0		9.0	125.99	175.3	38.2	4.8			
October	52.7	-14.1	n.a.	1.1191	70.0	30.2 33.0		6.0 10.0	132.58	169.2	40.0	7.1			
		ANCE			70.0	I ITA		10.0	135.36	167.8	38.6	.4,7	-2.5 CINGD		122.
	Exports	Visible trade belence	Current account balance	Eco exchange rate	Effective exch. rate	Exports	Vicibio trade halance	Current account belance	Eco cochango rata	Effective exchange rate	Exports	Visible trade	Correct account belongs	Est exchange pain	Egiocyte Recipied
1986	127.1	0.0	3.0	6.7946	102.7	99.4		2,1	1461.6	101.4	108.3	-14.2	-1.3	0.6708	91.
1987	128.3	-4.6	-3.7	6.9265	102.7	101.0		-1.9	1494.3	101.1	112.3	-16.4	-6.8		- 89.
1988	141.9	-4.7	-3.4	7.0354	100.6	108.3		-5.4	1538.8	97.7	120.9	-32.3	-24.8	0.6543	: 94.7
1989	162.9	-6.3	-3.6	7.0169	99.6	127.8		-10.7	1509.2	98.6	137.0	-36.7	-33.3	0.6728	91.5
1990	170.1	-7.2	-7.2		103.8	133.6	-9.3	-12.9	1523.2	100.1	142.3	-26.3	-26.2		89.
1991	175.4	-4.2	-4.8	6.9643	102.1	137.0		-19.2	1531.3	98.7	147.7	-14,7	-114	0.7002	- '90.
1992	182.5	4.5	2.9	6.8420	105.4	137.8		-22.6	1591.5	95.6	145,9	-17.8	-13.8	0.7359	87
1993 1994	179.6	13.3	8.0	6.6281	109.1	144.9		8.7	1836.7	90.5	156.0	-17.3	-13.2	0.7780	. 79.5
1995	198.9	12.6	5.4	6.5659	110.1	161.4		12.0	1908.6	77.0	174.1	-14.4	-2.1	0.7736	80
1996	219.7	10.4	8.4	6.4480	113.4	181.0		20.7	2108.4	69.4	186.9	-14.1	-4.5	0.8190	76.2
1880	230.2	13.8	16.4	6.4068	113.3	198.5	35.3	32.7	1932.1	75.8	208.0	-15.8	-23	0.8026	- 77.
4th atr.1996	58.5	3.9	4.8	6.4976	112.5	52.3	9.4	7.5	1911.2	===				0.7670	82.1
1st qtr.1997	59.4	4.6	7.1	6.5517	110.9	47.0		7.5	1917.8	77.6 77.0	54.9 58.6	-3:4 -3.5	2.3	0.7186	87.5
2nd qtr.1997	62.8	7.5	10.3	6.5768	109.8	54.0		6.2	1924.6	76.3	61.3	-3.5 -4.3	2.0	0.6960	1.68
3rd qtr.1997	66.1	7.6	7.8	6.6261	108.2	52.5		8.1	1918.8	76.1	64.4	-3.8	0.7	0.6705	92.7
November 1996	18.7	0.9	1.0	6.5001	112.6	17.1	3.0	3.0	1922.6					0.7642	82.6
December	19.9	1.2	1.5	6.5156	111.9	17.2		1.2	1899.5	77.2	18.2	-1.3	n.a.	0.7485	
January 1997	19.3	1.6	3.2	6.5512	111.2	14.3		3.7	1896.7	78.1 78.2	18.7	-1.2	n.a.	0.7298	86.2
February	20.0	1.6	2,9	6.5539	110.6	16.0		2.0	1918.8	76.B	19.7	-0.9			87,5
March	20.1	1.4	1.0	6.6502	110.7	16.9		1.8	1937.9	75.9	19.8	-1.3	n.a.	0.7127	87.5
April	20.9	2.3	3.5	6.5715	110.3	17.8		2.1	1931.6	76.3	19.2 20.7	-1.2 -1.5	VB.	0.6997	89.4
May	20.8	2.5	3.7	6.5725	110.0	18.1		2.1	1925.6	76.3			n.e.		- 89.0
June	21.0	2.8	3.1	6.5923	109.1	18.1		2.0	1916.7		20.1	-1.2	ura:		902
July	22.1	3.2	3.7	6.6534	107.8	21.5		7.8		76.4	20.5	-1.6	n.a.		93.6
August	21.6	1.6	1.4	6.6309	107.8	12.8			1920.1	76.1	. 22.4	-1.1	n.a.		92:1
September	22.4	2.9	2.6	6.5940	108.9	18.2		1.8 -1.5	1921.9	75.7	21.4	-0.9	L'a.,		90.2
October	22.5	28		6.5939	109.5	102	0.5	-1.a	1914.5	76.4	20.7	-1,8	T.B.		90.8
		~~		~~~	172.2				1925.4	78.3	20.0	-2.0	n.a.	. 0.6853	- 5000

Due to the introduction of the Single Market, EC countries are currently changing to a new system of compling trade statistics. All trade figures are seasonably adjusted; except the Italian series and the German current account, imports can be derived by subtracting the visible trade balance from exports. Export end import data are calculated on the (free on board) basis, except for German and Italian imports which use the CIF method (including carriage, traurance and freight charges). German data up for and explaining the visible trade explained in taking property to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade-weighted incloses. Data stipplied



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1997 inflation at 40-year low

French prices rose by 1.1 per cent in 1997, the lowest annual increase in more than 40 years. The result was achieved thanks partly to the energy and public services sectors, where prices were lower in December than a year

tually stable.
On the other hand, price rises were steepest for food, particularly fresh products, which cost 4.6 per cent more than 12 months earlier. In December alone, prices were stable. The finance and economy ministry described the figures - published yesterday by Insee, the national statistics agency - as "remarkable", partly because they coincided with a vigorous acceleration in economic activ-

"These data establish the basis for non-inflationary

growth for 1998," it said.

NEWS DIGEST.

Yeltsin holds 1st meeting of 1998

Boris Yeltsin, Russia's president, will today hold his first official meeting of 1998 when he hosts Boris Nemtsov, first deputy prime minister, at his holiday retreat in the Valdai region.

The Kremlin has promised to release television footage of the event to reassure the public about the state of Mr Yeltsin's health. Mr Yeltsin, 66, who caught a viral infection in December, has not been seen in public this year apart from two brief and heavily edited television

addresses.
The presidential press service has said Mr Yeltsin is pursting an "active regime" on his two-week holiday. working on documents and talking to foreign leaders and government ministers by telephone. But Russians have grown suspicious about official pronouncements concern-

ing their leaders' health. Mr Yeltsin is due to return to the Kremlin on January 19. He has summoned all the government's top officials to a meeting on February 25 to account for their performance and is likely to unveil a package of new measures in his state of the nation address towards the end of the John Thornhill, Moscou

AUSTRIAN POLITICS

Haider threatens to quit



Jörg Haider (left), leader of Austria's far-right Freedom party, has threatened to step down at a party congress later this year unless his supporters pull their socks up. "I will remain in charge after the next congress only if I see a return of enthusiasm at the heart of the party," he told party militants in Graz on Sunday. Mr Haider, 47, has taken his party from under 5 per cent support to almost 30 per cent over the last

decade. He is now eyeing

the Austrian chancellorship in legislative elections sched-

But he said he needed help. "The party has a long way to go, and I cannot allow the horse to start limping at the

first sign of an uphill slope," he said. Mr Haider lambasted the lack of support for a petition opposing the introduction of the European Union's single currency in 1999. About 250,000 people signed, but this was much less than he had hoped for. "I regret the lack of enthusiasm shown in recent months," he said. "I am not tired, I am just disappointed. Help me overcome this disappointment." AFP, Vienna

CZECH ELECTIONS

Poll set for June 19

The caretaker Czech government of Josef Tosovsky bowed to pressure from the main political parties yesterday and announced it planned to hold early elections on June 19. Several figures in the technocrat-led administration had pushed for elections in November or even later, but a

meeting of party leaders at the weekend agreed that polls

should be held in the first half of the year. On Sunday Miles Zeman, the leader of the biggest opposition party, the Social Democrats, said all the main parties apart from the small Civic Democratic Alliance were

in favour of elections by June. The Czech constitution does not provide an easy mechanism for early elections, and the government said they would have to submit a law with a vote of confidence attached on Thursday, which parliament would have to ignore for 90 days. The constitution would then allow parliament to be dissolved on April 20 and elections to be. . held 60 days after that. Robert Anderson, Prague

■ GERMAN BROADCASTING

Brussels to extend probe

The European Commission is expected to extend its investigation into a proposed German digital pay-TV venture between the broadcasting groups Kirch and Bertelsmann and Deutsche Telekom.

The Commission has opted for a four-month extension of the probe, as it still has reservations about the implications of the proposed venture on competition in the Ger-

man market.
The Commission was supposed to take its decision on Thursday, but it may delay a formal announcement until next week after a request by the German authorities to have the case referred back to the Berlin cartel office -Germany's competition authority. This request is almost certain to be turned down.

The Commission's decision is the latest setback for the venture. Last month Brussels ordered Kirch and Bertels-mann to stop joint marketing of their existing respective pay-TV networks and the decoder boxes needed for the unscrambling of digitally transmitted signals, on the grounds this constituted a breach of EU competition law: Frederick Stildemann, Berlin, and Emma Tucker, Brussels

■ TELECOMS REGULATION

Decision on charges deferred

German customers who switch to a new telephone company this month, if not beyond, will avoid charges imposed by Deutsche Telekom to cover the cost of changing, in accordance with a ruling by regulators yesterday.

A meeting in Bonn between Deutsche Telekom and its new competitors put off until January 31 a decision on what new charges the former monopoly supplier can

impose. Klaus Dieter Scheurle, head of the new regulatory authority, said retroactive charges would not be possible.

The meeting followed a row over plans by Deutsche Telekom to impose a DM95 (\$52) "pre-selection" charge for customers contracting to use another carrier, and a DM53

charge for those wanting to take their existing telephone number to a new supplier.

Mr Schemile hoped an agreement could be struck which avoided any charge being imposed on customers wishing to switch. Deutsche Telekom had said it wanted to share the cost of switching with the new companies, rather than Ralph Atkins, Bonn

FRENCH PRICES

ago, and to manufactured products, where they were vir-

NEWS: EUROPE

Germany to subsidise chip industry

The German federal government and the eastern German state of Saxony yesterday committed up to DM37(m (\$203m) of public funds to supporting the development of a "next generation" chip industry based on 300mm wafer technology.

support of DM120m from

group, and Motorola, the US electronics company. It will research and develop 300mm wafer manufacturing technology and the

building of a pilot plant at Siemens' existing chip plant in Dresden. Up to DM63m of federal Federal subsidies of up to DM187m and investment subsidies will be paid to atc the foundations of a 30 per cent compared with the project could ultimately

Saxony will help finance a company, to develop produc- and that Dresden, the Saxon nology. Motorola and Sie- highly qualified jobs in Gerjoint DM1.5bn venture of Siemens, the German electrical at a DM1.8bn plant in Burghausen in Bavaria.

tion of 300mm silicon sheets capital, would increase its mens expect to be producing

many's science and technol- per cent. ogy minister, hailed the partnership as evidence of a comeback for Germany as a explained the project centred site for industrial invest- on new technology for manment. He said the so-called ufacturing chips that could "300-plus" project would cre- cut production costs by up to

share of European semiconductor production to 10 per Jürgen Rüttgers. Ger- cent by 2001 from about 4 project's development stage.

> Heinrich von Pierer, chief duction with the new techexecutive of Siemens.

chips with 300mm wafers by the end of this year in the and to achieve volume pro-

nology by 2000.

Mr von Pierer said the Dresden investment would create 450 jobs.

According to Mr Rüttgers, "chip factory of the future" existing 200mm wafer tech- secure and create 13,000 of falling prices.

many, of which 8,000 would

However, Mr von Pierer also warned the semiconductor business was going through difficult times. Although Siemens expected its semiconductor sales to increase to DM10bn-DM12bn by the end of this century from DM6bn last year, it faced a difficult year because

Poland prepares for telecoms breakthrough

A little-known company is set to compete with the state-owned operator due for flotation

telecoms operator due to be partly privatised this year, may face strong competition later this year thanks to an ambitious if little-known rival called Tel-

The company is one of several local and mobile telephone operators which are preparing to loosen TP's grip on Poland's lucrative inter-city voice traffic

These developments threaten to lower the value of TP, which is put at between \$10bn and \$15bn. They also raise the prospect that TP will lobby the government for extended protection from private sector com-

petition, in order to secure the best possible price when it is floated on the Warsaw bourse in the autumn. So far, TP has used its statutory monopoly on long-range domestic and international connections to

Oland's Telekomunikacja Pol-ska (TP), the state-owned operators with licences to run local will then be left with an exclusive networks. These include Netia, a right to foreign connections untill

Wacker Siltronic, a German

mainly Israeli investors. TP has been able to charge less company set up by Poland's statefor local calls and subsidise this owned power distributors and PSE, traffic with higher charges for which runs the national power long-range connections. This grid.

which are preparing to loosen TP's grip on Poland's inter-city voice traffic Polish state railways and GSM option has been closed to private sector companies forced to use TP's inter-city links and unable to price mobile telephone operators are also

Tel-Energo is one of several operators

their services higher than TP's. As a result, they have marked time with their investments as \$110m nationwide fibre-optic comthey have waited for TP's monopoly on inter-city domestic links to been run along the existing power fight off competition from private end at the start of next year. TP distribution system.

Thanks to this the network will be ready to match TP's long-range joint venture between Telia of Swe- 2003. The key to breaking TP's facilities later this year, a few den and a local partner backed by inter-city monopoly lies with Tel-Emonths before TP loses its statunergo, a small telecommunications tory monopoly. Tel-Energo will then be able to serve both local operators, such as Netia, and Poland's two independent GSM networks, which are bound by law to

planning national networks, but

Tel-Energo is way ahead of the

field. The company is completing a

use TP's costly and at times unreliable long-range links. PSE and Tel-Energo are also shareholders in Polkomtel, one of Poland's two GSM operators, potentially giving it the edge over the rival Polska Telefonia Cyfrowa

> However, Tel-Energo's chief executive, Zdzisław Nowak, says his company will not discriminate against anyone when offering

long-range services. Meanwhile Pawel Kuraszkiewicz, munications network which has a member of PSE's management and head of Tel-Energo's supervisory board, is excited about the

prospects for the power sector's telecommunications arm.

He thinks it could soon be controlling a quarter of the country's telerommunications market, now worth around \$10bn a year. The company will also provide cable-TV programme links and already carries electronic mail for corporate

The flow of revenue will help finance the modernisation of the power sector and put Tel-Energo. which reported 36m zlotys (\$10m) worth of sales last year, on track for a stock exchange flotation in the not too distant future.

Working in alliance with KCHM. Poland's giant listed copperproducer, Tel-Energo recently won licences to install and operate local networks in three western provinces, including Wroclaw, as well as Elblag on the Baltic coast.

Christopher Bobinski

Miner killed warns during **Spanish** strike ally

By David White in Madrid

Tension rose in a Spanish coal dispute yesterday after a miner was knocked down and killed by a car trying to bypass a barricade on a highway in the northern

Asturias region.
Unions, which have already paralysed production at state-owned mines in a campaign to stop the European Commission from imposing further cuts, suspended protest actions but called out the rest of the coal industry for a one-day

strike today. The strike at the stateowned Hunosa and Figaredo mining companies has been extended at least until tomorrow, when a fresh round of talks is scheduled with management. Today will be the 10th strike day in a movement which, combined with holidays, has halted activity at the mines

since before Christmas. One large private-sector mine near Gijón had already joined the movement in sympathy last Friday. Josep Piqué, industry minister, called for calm after yesterday morning's fatal incident and emphasised that negoti-

ations should continue. Unions want the government to stand by a settlement on the future of the state-owned mines that was agreed last May. This forethe two companies from about 10,000 to 7,000 in 2001, with an early retirement programme offset by more than

1,000 new hirings. This plan was pegged to a reduction in output from 2.5m tonnes to 2.1m. But the Commission wants output brought down to 1.5m tonnes, calling the new hir-

ings into question. Roads and railways have been cut off by protesters amid clashes with police in Asturias, where unions are considering calling a general strike. The conflict risks becoming a focus of discontent against the centre-right government's privatisation of industries such as steel

and shipbulding.

The government obtained some consolation on the labour front with figures showing a reduction of 140,000 in registered unemployment last year. The national employment office said the number of registered Job-seekers fell by 18,000 in December to 2.08m, or 12.82 per ceni, compared with 12.94 per cent the previous month. It was the lowest

The registered figures contimue to show a discrepancy with Spain's quarterly employment survey showing a jobless rate of 20.5 per cent. However, they demonstrate a sharp rise in the number of Spaniards being

December rate since 1980.

US envoy defeated Milosevic

By Guy Dinmore in Podgorica

The chief US envoy to the Balkans intervened yesterday to defuse a crisis in the Yugoslav republic of Montenegro, where a demonstration by supporters of the out-going president raised fears that central authorities in Belgrade would declare a

state of emergency. The US envoy, Robert Gelbard, said he had warned Momir Bulatovic, the president who was defeated in elections last October, of Washington's "strongest pos-sible opposition" to any attempt to block the transfer

of power. Mr Bulatovic, a key ally of Slobadan Milosovic, the Yugoslav president, is due to hand over his office on Thursday to Milo Djuka-novic, their reformist rival. who has challenged Serbia's domination of Montenegro,

its tiny sister republic. Mr Bulatovic has denied reports in the Yugoslav media that he intends to stir up violence in the streets to create a pretext for a state of emergency that would pro-

A pro-Bulatovic rally outside Montenegro's parliament building drew about 10,000 people, fewer than organisers had hoped for. Banners denounced "US interference" but the mood

was generally peaceful. Mr Gelbard said Mr Bulatovic had told bim he accepted Mr Djukanovic's narrow election victory, but speakers at the rally repeat-edly accused him of fraud and demanded new parliamentary and presidential polls. They said protests

would continue. Present at the demonstration was the federal Yugoslav defence minister, Pavle Bulatovic, who belongs to the same clan as the Monte-

negrin president. A state of emergency would have to be enforced by the Yugoslav army, as Mr Djukanovic controls most of the republic's security forces. Diplomats said the demoralised and poorly funded federal army was unwilling to get involved.

night fell, several thousand people, many of them Serbs and former communists, were outside parliament. Western governments have thrown their support behind Mr Diukanovic, an ex-communist who became

prime minister in 1991 at the

Police were out in force in

Podgorica with water can-

non ready in side-streets. As

He has attacked Mr Milosovic for isolating what is left of Yugoslavia and blocking economic reforms, knowing that Montenegro's ambitious plans for privatisation and foreign investment will

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Boeing retains industry leadership

Aerospace Correspondent

Boeing of the US last year retained its leadership of the world's air-craft industry, beating Airbus Industrie, its European rival, in orders taken and deliveries made.

But Boeing's 1997 figures. announced yesterday, revealed a strong showing by Airbus. The European consortium's performance came despite Boeing's acquisition last year of McDonnell Douglas of the US, previously the world's third largest civil aircraft

bus won 41.5 per cent of civil aircraft orders last year by value. after taking account of airline cancellations This compared with 58.4 per cent won by Boeing. Boeing has traditionally held more than 60 per cent of the civil aircraft market, compared with a third won by

Ron Woodard, president of Boeing's commercial aircraft division. said: "Industry leadership is something we do not take for granted. We are working very hard to listen to our customers so that we can develop and deliver quality, cost-efBoeing said it had taken 568

gross orders last year, valued at \$42.8bn. The gross order figure does not take account of airline cancellations or conversions to different models. Airbus won 460 gross orders, with a value of \$29.6bn. Boeing's total was boosted by 17 orders won by McDonnell

Boeing said it also defeated Airbus in net orders, which takes into account cancellations. Boeing won net orders for 502 aircraft last year, with a value of \$39.1bn. This com-

Airbus, with a value of \$27.8bn. Boeing said it traditionally used the value of net orders when calculating its worldwide market share. Boeing's orders last year were lower than the 712 that it won in

than the 593 orders it won in 1988 the height of the last civil aircraft Boeing's biggest sale last year was to Delta Air Lines, which to a 20-day shut-down in producordered 106 aircraft, with a value of \$6.7bn. Other large sales last year included a \$3bn order from China

for 50 aircraft and a 61-aircraft

1996. They were also slightly fewer

Boeing said it delivered 375 aircraft to airlines last year, compared with 182 delivered by Airbus. Boeing's delivery rate was sharply higher than the 220 aircraft it delivered in 1996. The increase strained Boeing's production system. A shortage of components and difficulties in Boeing's factories led tion of the company's 747 aircraft. Boeing said it delivered a total of 68,561 aircraft seats to customers last year, compared with 28,900 by **NEWS DIGEST**

EU delays maize decision

The European Union has postponed a decision on whether to overrule two member states which last year imposed bans on the import and production of genetically modified maize.

A regulatory committee made up of experts from EU countries agreed to delay until March a ruling on Austria and Luxembourg's ban on the maize. This follows a previous delay at a November meeting of the committee although, in September, the European Commission made proposals which would have required the countries to lift

In December 1996, the EU authorised use of a genetically modified maize produced by the Novartis group, but Austria and Luxembourg both banned the maize on the basis of a more general EU directive. Switzerland and France have approved the use and cultivation of the product. Daniel Dombey, Brussels

■ VIETNAMESE POWER PROJECT

Oxbow optimistic over deal

Oxbow Power Services, the US electricity generator, yesterday said it was optimistic that it would have concluded all necessary agreements, by the end of March, to proceed with plans for a \$360m privately financed Vietnamese power project. The coal-fired power station in the northern province of Quang Ninh has been delayed by failure to reach agreements on coal costs and electricity

Financial arrangements for the Quang Ninh project and a proposed \$500m private sector power project at Phu My in the south of the country are regarded as important test cases of how far Vietnamese authorities are prepared to go to encourage much needed private sector investment in electricity generation.

The government last year awarded the first private concession to Wartsila, a Scandinavian-owned engineering group, for a \$120m power station in Baria Vung Tau province, south-east of Ho Chi Minh City. Oxbow would seek funding once it had achieved all the necessary permissions from the regulatory authorities. Some 70 per cent of the cost is expected to be financed Andrew Taylor, Construction Correspondent

ANTI-DUMPING DUTIES

Chile fights US over salmon

The Chilean government is fighting back against anti-dumping duties on its salmon exports to the US with a high-profile campaign. Bob Dole, former senator and 1996 presidential candidate, has attacked moves by eight US producers to get dumping duties imposed on fresh Chilean salmon. Mr Dole welcomed the decision by the US Commerce Department last week which found no grounds for dumping claims against three of five Chilean fresh Atlantic salmon producers. However, he expressed concern that the ruling will impose tariffs on salmon produced by other companies.

The list of companies and groups siding with Chile includes the National Restaurant Association, American Airlines, United Airlines and other air cargo carriers. The groups said the imposition of tariffs on more than 50 per cent of salmon imports placed at risk more than 19,500 Nancy Dunne, Washington

Music sales start to slow

By Alice Rawsthorn

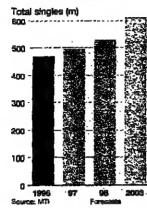
The global music industry is entering a period of slower growth over the next five years, reflecting the maturity of the North American and western European markets and economic turmoil

After a decade in which the music market doubled in value, retail sales of albums and singles will show real growth of 26 per cent by rising from \$40.2bn last year to \$50.7bn in 2003, according to a new study compiled by Market Tracking International for MBI World Report, the trade magazine.

Sales will continue to show robust growth in developing markets, notably eastern Europe and Latin America. However, the increases from these regions are unlikely to counter the sluggishness of larger, more mature markets such as the US, Germany, France and

The projected rise in music sales will be considerably higher than other areas of consumer products yet the slowdown could pose problems for the multinational entertainment groups which dominate the music

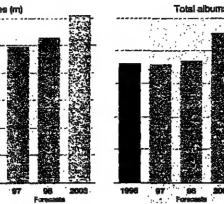
MBI claims that the balance of power in the industry has changed. It estimates that PolyGram of the Netherlands is still the world's biggest record company with a 17 per cent market share. Buoved by the Stuck in a groove



Oasis, Japan's Sony moved ahead of Warner Music to take second place with 15.7

Warner, the US entertain-

Similarly, the regional balance of power is expected to change over the next five years, with Asia leapand North America to become the largest source of

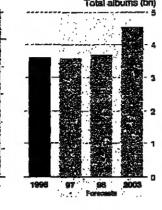


per cent in 1996. Warner, part of Time

ment group, fell to third with 14.5 per cent. Best-selling artists such as Puff Daddy and Toni Braxton propelled BMG, part of Bertelsmann, the German media company, into fourth position with 14 per cent. This put BMG ahead of the UK's EMI Group, which slipped into fifth place with 11.2 per cent.

album sales by volume.

Asian countries, including



1.22bn in 2003. Over the same period,

Music sales in several

pore and Taiwan, will decline over the next two years, according to MBL The Japanese market will remain sluggish, with album sales mustering negligible growth from 270m in 1997 to 278m in 2003. However, other Asian markets, notably India and China, are expected to rally with total regional sales ris-ing from 833.8m last year to

European album sales should rise by 16 per cent from 1.04bn to 1.21bn. Most of this increase will come from Eastern Europe, partic-Poland. Growth in western European should be slower. affected by discounting, as superstores expand at the double in value. expense of traditional specialist retailers.

Discounting will continue

Puff Daddy: rap star helped to push up BMG's sales America, which is historically the world's largest music market, but is expected to fall into third place behind Asia and Europe. MBI anticipates a 9.7 per

in 1997 to 1.13bn in 2003. The prospects for the Latin American music market are considerably brighter. Album sales across the region are forecast to rise by 68 per cent from last year's total of 252.9m to 423.6m in 2003.

cent increase in North Amer

ican album sales from 1.03bs

Sales in Argentina are expected to rise from \$363m ularly from Russia and to \$450m over the same period, and in Mexico from \$476m to \$867m. Many frogging ahead of Europe and retail sales could be smaller markets, including Peru and Uruguay, are set to

The MBI World Report £525, published by MBI, 8 Montague Close, London SE1 success of Celine Dion and Japan, Hong Kong, Singa- to be a problem in North 9UR. Tel: 0171 579 4010.

Brussels weighs Ecu530m aid for bananas

By Daniel Dombey

The European Commission is considering proposals that would award Ecu530m (\$578m) in transitional aid over 10 years to banana producers in Africa, the Caribbean and the Pacific.

The aid proposals are part of a package to reform the European Union's regime for importing bananas. The Commission is set to decide

on the package tomorrow. The Commission is also looking at proposals to abolish licences to import bananas at preferential tar-

The moves follow last year's ruling by the World Trade Organisation that the EU's current system broke international trade rules.

But the total aid package, which would be shared between 12 countries, could be less than the cross-subsidies that African, Caribbean, and Pacific countries currently receive. This is because of the trade in bananas at the preferential

The EU has an annual quota of 2.2m tonnes of bananas imported at preferential rates. The quotas for

30 per cent of this total. Based on the current price structure, the countries in the region indirectly receive about Ecu80m in cross-subsidies a year, through the sale of quota allocations.

Under the current system, established in 1993, there are import quotas of 857,000 tonnes for countries in Africa, the Caribbean and the Pacific. These currently enjoy a zero import tariff, and their importers often sell excess licences to importers of bananas from Latin American countries.

While the Commission is confident it can maintain current trading patterns and meet WTO rules, the system of licences would be ended under the proposals it is considering, and the current cross-subsidies would be removed. This is the reason

for the transitional aid. The Commission argues that its proposed reforms would withstand scrutiny by World Trade Organisation lawvers and should help the development of poorer counlicences to import the tries' banana cultivation. But the US and the Latin American countries which took the system to WTO adjudication are likely to push for more thorough reform. Big importers in Ger-African, Caribbean and many are also certain to be

will produce a long-term

reversal of the trend seen in

In Beirut's financial circle.

a large Kuwaiti deposit is

rumoured to be on its way to

the central bank. "All this is

behind us now, we have over

\$3bn of foreign reserves.

with more on the way," says

against the pound are not

acting in a patriotic way.

There are no markets in the

world where you don't have

but the important thing is to

have a trend and today more

people use the pound in

their daily expenses. [That]

was not the case a few years

ago. We have to build confi-

dence progressively and this

However, bankers and

economists in Beirut say the

markets need more tangible

signs that the government is

committed to improving its

The first test will be

whether parliament this

month passes the 1998 bud-

get proposal, which projects

a 37 per cent deficit, and

aims to raise revenues by 25

per cent and to trim expendi-

signals," says a banker. "The

public recovery plan agreed

by the troika is important

restore confidence.'

"The markets need drastic

Roula Khalaf

Those who speculate

the last few months.

Mr Salame.

takes time.

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slaughter

An armed gang killed more than 100 people on Sunday night in a village near Algiers, as diplomats tried to find ways to enlist international help to end the sixyear conflict.

A bomb blast in a café in Sidi Hamed, a village 20 miles south of the capital, started off another night of slaughter in which dozens of civilians were killed.

Since the start of the holy Moslem month of Ramadan two weeks ago, more than 1.000 civilians have been killed in massacres, according to local newspapers.

and cited a death toll of 103 est ever officially recognised for a massacre. Other sources in Algiers said the death toll may have been

Security forces said more people would have died without their intervention and the resistance of self-defence militias, who were armed by the government.

The latest massacre happened as Algiers was waiting for two envoys, one from the Arab League, the other from Canada. International concern over the wave of massacres has forced western and Arab governments to initiate diplomatic action. The European Union is also preparing to send a delegation to before the EU foreign ministers' meeting on January 26.

The Algerian government. which says Islamist extremists are responsible for the massacres, is opposed to foreign intervention in the

It told the EU the long as it aimed to discuss co-operation against terrorism. Western governments western countries work are treading carefully and towards a conference of couching their diolomatic national reconciliation initiatives in terms of an among Algerians, to be folattempt to increase their lowed by a commission of understanding of the con- inquiry into the killings.

flict, extend help to the victims, and initiate a long-term dialogue with the

Europe could help bring an end to the killings. The Arab League has emphasised that it was sending an envoy to Algiers to express its solidarity with people and the

government. A Canadian official said yesterday his government's envoy would put ideas to the Algerian authorities, including encouraging them to submit to greater transparency in reporting the

Algiers has kept a tight lid Security forces yesterday on security information, confirmed the latest killings, adding confusion to a little

> Security forces confirmed the killings, citing 103 dead and 70 wounded

understood conflict. Human rights organisations have raised concerns that Islamists may not be the only ones responsible for the killings - allegations denied by the government.

However, none of the diplomatic missions is seeking to act as commissions of inquiry into the massacres. as urged by human rights organisations. The govern-Algiers, to report back ment rejects calls for such investigations, saying they put in doubt the identity of

the killers. Abdelkader Hachani, a senior leader of the Islamic Salvation Front (Fis), the party stripped of an electoral victory in 1992, urged western governments to persuade mission was welcome as Algiers to speak to the ban-

ned party. Mr Hachani proposed that

Blast sparks | Lebanese pound makes more Algeria most of borrowed time

Stability hinges on moves to stem rising budget deficit and debt

Lebanon: confidence restored . . . for now

NEWS: INTERNATIONAL

lad Salame, Lebanon's central bank governor, is feeling confident. After averting currency crisis at the end of authorities on ways that last year, he received a new year's gift from the Saudi government in the form of a \$600m. three-year, low-interest deposit.

The deposit strengthened the country's foreign stopped the sell-off of Lebanese pounds over the past several months by both foreign and local investors.

sign of confidence in the government and in the central bank," says Mr Salame. While currency crises have been sweeping Asian markets, many in Lebanon have

been surprised at the stabil-

"The Saudi deposit is a

ity of the Lebanese pound. often described as shaky and on its way to collapse. Before the Saudi deposit was made, Lebanon's net reserves dropped from \$4.2bn

last April to \$2.5bn. Bankers and economists in Beirut say the deposit has only bought Mr Salame time and the pound's stability will hinge on the government's ability to contain a rising budget deficit and internal debt that is 90 per cent of gross domestic prod-

Yesterday Beirut bankers said the currency market dollars. was in a "wait and see" attitude, with the dollar not in demand but not on offer

Rafiq Hariri, the billionaire businessman who is Lebanon's prime minister. oound when he took over in 1992 and staked his reputation on its stability.

But bankers argue that the resulting tight monetary policy led by Mr Salame, a former senior stockbroker at Merrill Lynch who counted Mr Hariri as one of his main clients, was pursued at a significant cost The high interest rates

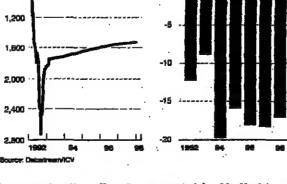
offered on T-bills aggravated

debt servicing levels and

crowded out private invest-

ment in the midst of a mas-

LC against the dollar (LC per S)



sive reconstruction effort. In the last four months of 1997, the currency's stability was nues through new taxes was put in doubt by two converging trends.

In the wake of the Asian turmoil, foreign institutional investors, who had flocked to buy high-yielding T-bills at the beginning of last year. sold virtually all their holdings, amounting to several hundred millions of dollars. At the same time by last

April, the central bank's relative lowering of interest rates on T-bills began to lead some Lebanese who had been attracted by the yields to question the state of public finances, sell their T-bills and convert their funds into

hile the Lebanese appreciate by 20 per cent since the end of 1992, they also saw the budget deficit, which in 1997 stood at 55 per cent of expenditure, versus a target of 36 per cent, consistently overshoot its target.

about \$11bn, has almost doubled since 1995. And the fast growth of the first recon-

struction years has now become sluggish, with Banque Audi estimating GDP growth for the first nine months of 1997 at only 3.5 per cent. The dollar buying gained

ber, when an economic plan

presented by Mr Hariri and aimed at increasing reveshot down by his own cabinet. According to bankers, it was Mr Salame, with an eye on his foreign exchange reserves, who then called on Lebanon's squabbling ruling troika - the Sunni prime minister, Shia speaker of

parliament, and Christian

Maronite president - to

explain to them the need for

political consensus to tackle the deficit. "Our ability to maintain stability goes hand in hand with a fiscal effort," says Mr Salame. "The effect of central bank operations is always short-term. The fundamentals of the country are determined by public finances. It was important for us to have clear signs that the government and parliament will restructure

public finances Mr Salame's move helped produce a rare consensus within the troika on a public recovery plan which promised to cut administrative waste and will allow the government to borrow \$2bn on international markets to restructure the debt and reduce interest costs. Salaries and interest pay-

Mr Salame believes that but it is not enough to the plan, coupled with the momentum in late Septem- Saudi deposit, has raised

ments make up almost 80

per cent of budget expendi-

NEWS DIGEST

Israeli coalition survives vote

Israel's coalition government yesterday survived the firstparliamentary no-confidence vote tabled since David Levy, foreign minister, and his four deputies, resigned

But the vote ended in a 54-54 tie, underscoring the fragility of the government. Mr Levy's departure left the coalition headed by Benjamin Netanyahu, prime minister. in control of only 61 seats in the 120-member Knesset parliament l

The no-confidence motion was raised by opposition parties to protest at the government's economic and peace policies. Among deputies who did not attend were three rebels from within Mr Netanyahu's Likud party. In addition, two extreme rightwing deputies from the Moledet party who usually support the government abstained. Before the vote, opposition lawmakers attacked the government. Avraham Shohat, former finance minister, said Israeli policies would deter foreign investors by creating "a region of war and not a region for

Avi Machlis, Jerusalem

RWANDAN GENOCIDE

France denies arms exports

France yesterday denied a report that it authorised arms exports to Rwanda until May 30 1994, a month after the start of a genocide in which up to 800,000 people were killed. Yves Doutriaux, foreign ministry deputy spokesman, said France stopped authorising arms exports to Rwanda even before the United Nations called for an arms embargo against the then Rwandan authorities on Mr Doutriaux was reacting to the publication yesterday

of a report by Le Figaro alleging the sale of French

weaponry after the start of the 1994 bloodbath, in which Hutu extremists killed between 500,000 and 800,000 Tutsis. and moderate Hutus. The spokesman emphasised that approval of arms deals stopped "before a May 17 1994 UN Security Council"

embargo on arms to Rwanda, a decision taken by the Security Council on the initiative of France". Le Figaro said French co-operation with the then Huffi

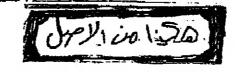
regime in Rwanda "continued at least until the end of \ May, or nearly one month after the start of the elimination [of opponents] and about two weeks after the United Nations vote on an arms embargo."

Mobutu ally arrested

A businessman who was a close ally of Mobutu Sese Se the ousted Zaire dictator has been arrested and detained in Kinshasa, family members said yesterday.

Bemba Saolona, head of the business association in the former Zaire, now renamed the Democratic Republic of the Congo, was arrested on Saturday in his house in the capital's Gombe district by a group of soldiers with an arrest warrant and taken to Kinshasa's main prison, they said. "Up until now, we don't know why he has been arrested," one family member said.

More than 30 Mobutu allies, including directors of state enterprises and ministers, have been arrested since Laurent Kabila took power in May. Mr Kabila says the arrests are not politically motivated and has offered Mobutu allies freedom in return for restitution of money stolen from the state.



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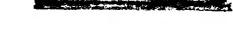
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NEWS: ASIA-PACIFIC

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Deniel Dombey, Sug PROJECT tic over deal that it would have merry po the seq of Man.

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level of potential risky loans held by its banks was as Jarge as Y76.710hn (\$583hn) anything previously cut and a Y30,000hn support revealed highlights the package for the financial scale of the bad loan sector, of which Y13,000hn problem weighing down on could be used to buy Japan's stagnating economy. Earlier official

David Wighton in Tokyo

calculations, which had used a narrower definition of "problem" loans, had put the total value of bad debts in The Nikkei 225, the main the financial system at just The admission comes as year low of 14,664.41.

Japan's leading trading partners step up pressure on the government to take firm are also likely to be action to tackle its financial Japan's prime minister,

Ryutaro Hashimoto, recession start from Japan". Next week parliament will EU would not tolerate a his confidence in the debate government further rise in Japanese fundamentals of the

By Peter Montagnon and

fidence in its economy.

in March or even earlier.

Sander Thoenes in Jakerta.

indonesia's financial markets economy.

steadied yesterday after the country

promised to announce agreement by

Thursday with the International

Monetary Fund on a revised reform

programme designed to restore con-

the rupiah was stable at 8,500 to the

dollar as hopes grew the IMF would

agree to release the next tranche of

its \$38bn rescue package on schedule

heart from the arrival in Jakarta last

night of Larry Summers, deputy US

Treasury secretary, who is to rein-

force the IMF's message that inter- exchange rates.

Potential risk put at Y76,710bn
Trading partners step up pressure for prompt action The Japanese government on economic and financial problems

The figure, higher than Y2,000bn special income tax economic problems. He also preference shares in banks.

> Mr Hashimoto's failure to pledge further tax cuts disappointed the markets. stock market indicator, fell 3.2 per cent to a two and half Japan's trading partners,

such as the US and Europe.

disappointed by the Sir Leon Brittan, the European Union Trade yesterday told parliament be commissioner, yesterday would not let a global warned during an EU-Japan warned during an EU-Japan summit in Tokyo that the

Share prices, which fell by over 16 determination to stay with the pro-

Dealers said the markets took has links to Toyota, has told its cus-

Bankers said concern remained tor's \$80bn foreign debt, bankers

per cent last week, rose 2 per cent; gramme and strengthen it and accel-

and signs of further strain in the

Mr Suharto renewed his commit-

ment to the IMF programme in a

90-minute meeting with Stanley

Fischer, deputy managing director of

the Washington-based organisation.

erate it. There was no ambiguity,"

Mr Fischer said.

about Indonesia's ability to push said. Particular concern yesterday their debts, they said.

The president was very clear on his

As worries about the economy

grew, it emerged that Astra, the

country's leading carmaker, which

tomers it is cutting production because it cannot afford to purchase

components abroad at current

called on the government to "consider very carefully" calls for further measures to boost the economy. EU officials, however, later

expressed a level of satisfaction with assurances given by Mr Hashimoto. "The European side was gratified that the prime minister reassured us that targeted growth of 1.9 per cent this year will be generated domestically and not through exports," said Percy Westerlund, the European Commission's

relations. Tony Blair, the British problem. prime minister who was leading the EU delegation, used the summit to reiterate

Jakarta pledge steadies markets

through reforms amid continuing surrounded a large indonesian Chi-

calls for Mr Suharto to step down nese-controlled property company

measures to boost the exports to Europe unless Japanese economy while economy. These include a Tokyo clearly tackled its stressing the need for Y11,400bn of "net" loans further deregulation, greater transparency and tougher totally uncollectable. This financial supervision.

However, the Ministry of that the Y30,000bn support package should be sufficient to solve Japan's financial It also argued the new bad

loan figure simply reflected a drive for better trans- banks also held Y65,300bn of parency. Until now bad loans have been measured according to a definition provisions for. developed by Japanese banks. This recorded only loans that were clearly bad director of Far East and was considered by most analysts to understate the

The MoF has now asked the banks to move to US standards to measure these "bad" loans. And as a the separate step, it has also Page 38

thought to have appointed a western

investment bank to advise it on

restructuring.
Mar'ie Muhammad, finance minis-

ter, said the government would

announce a significant new package

of measures on Thursday to coincide

with the planned visit of Michel

Camdessus, IMF managing director.

Mr Fischer hinted this would entail

revisions to last week's controversial

by breaching IMF conditions, but

both sides were tight lipped yester-

day about other likely aspects.

budget which sparked market alarm

Bankers said they hoped the IMF

would press for an enforceable bank-

ruptcy law and regulations to permit

debt/equity swaps, which would

speed much-needed restructuring of

Banks' total credit exposure was Y624,900bn in September, the MoF said yesterday. Out of this, were considered partly or figure was reached by subtracting collateral and Finance yesterday insisted provisions the banks hold against these bad loans from the total, meaning that the gross figure of bad loans could be over Y25,000bn,

officials said. On top of this, though, the potentially risky loans that they have not made

The MoF insisted that most of these would not turn bad, and a recent Bank of Japan survey showed that 13 per cent of such loans had become uncollectable after three years.

Observer, Page 15;

But several stressed the political

limitations on Mr Suharto whose

authority is waning before presiden-

tial elections due in March. "The

political bit is the most difficult part.

If that is ignored, the rupiah won't

An IMF deal needs to be accompa-

nied by a simultaneous clarification of Mr Subarto's position and possible

succession, added one western diplo-

As a further sign of world concern

over Indonesia's problems. Ryutaro

Hashimoto, Japan's prime minister,

and Helmut Kohl, the German chan-

cellor, phoned Mr Suharto yesterday

to press the case for economic

Goh Chok Tong, Singapore's prime

unlikely to be resolved this week.

stabilise," said David Chang of Tri-

megah Securities.

Japan admits scale of bad loans Nerves fray as HK asked the banks to provide a breakdown on all credit eyes its currency peg

There has been a chorus of denials that the economy has entered a 'meltdown phase

ong Kong's stockmarket crash yesterday was nasty enough, wiping almost 9 per cent off the benchmark Hang Seng index and halving its value since last August's peak. Still nastier, was the nagging possibility that the territory could be heading towards greater carnage and the possible endgame for the currency peg to

the US dollar. That would mark a vicious new twist in the regional turmoil, which has so far left Greater China relatively unscathed. "The fall of the peg would lead to a banking and property collapse in Hong Kong, says Ma Guonan, head of economic research at Solomon Smith Barney. With many international banks beavily exposed to the territory, the rest of the world should shudder at the prospect.

Like many commentators, Mr Ma played down the immediate risk. "I don't think we are in the melt-down phase," he said. "We are seeing a vicious but mat, but the political uncertainty is unavoidable correction in a very volatile market," he said, referring to the string of terrible news, from the collapse of Peregrine, the Hong Kong-based investment bank, to soaring interest rates, and the sharp fall

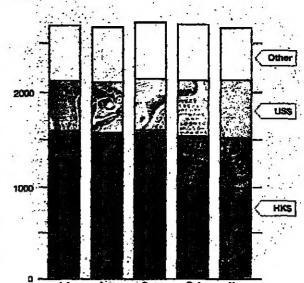
on Wall Street on Friday. Mark Konyn, director of Dresdner RCM, the fund management group, agreed. "We are in the final leg of the downturn," he said. "This is not a meltdown."

Amid the upbeaval, the Hong Kong dollar held steady, stronger than its peg rate of HK\$7.80 to the US

Hong Kong's government "The market reacted rationally - there was no panic," said Donald Tsang, financial secretary. Last weekend. Anson Chan, chief secretary, dismissed the idea the government would be forced to cool head, and prudence."

However, steady nerves More serious, some in business and finance are now beginning to question the survival of the peg. While most believe the link should stay, they add increasing caveats to their confidence. "I am less convinced that the peg will survive than I was six months ago," said the head of one large industrial and financial group in the territory. "I don't think it will go soon, but nothing lasts forever, and if people start to focus on the end-

Hong Kong: bank deposits



Jul Aug Sep Source Hong Kong Monetary Authority 1997 game then it might become pressure on the government.

self-fulfilling." caveats expressed in increased hedgdemand for hedging," said the head of capital markets at one European bank in the territory. Although Hong Kong dollar deposits are still 57 per cent of the total, the share has been slipping since the onset of the regional crisis.

The next few weeks in Hong Kong could prove decisive. even with China's backing

In defending the peg, the authorities' defences are bolstered by foreign exchange reserves of US\$90bn. But ultimately, the issue will be decided away from the dealing rooms of hedge funds, determined instead by the duration of the crisis and by economic and political questions in Hong Kong and China.

On the first count, few expect rapid improvement. This is the worst crisis I Under this plan, the loans adjust the peg. "What we have seen in the region, and cessful resumption of soverneed now is steady nerves, a I don't think it will end soon," said Manuel Pangilinan, managing director of are increasingly hard to find. First Pacific, the Hong Kong conglomerate, which has backing, Further evidence of sale to bolster its finances. While First Pacific's proboutside Hong Kong, the terribleak economic outlook. Dong Tao, senior economist at Schroders Securities, pre- per cent. diets gross national product growth this year of 2.7 per

> unemployment. That will bring increasing

Donald Tsang claims the currency system retains the support of the public, many ing of Hong Kong dollar of whom remember the exposure and a shift in Hong chaos of 1983, which was Kong dollar deposits. "We triggered by Sino-British wrangles and which forced

the introduction of the peg. Criticism of the adminis tration is growing. Martin Lee, leader of the Democratic party, said the main lesson of the regional crisis was that economic stability depended on accountability and transparency. He warned backward steps on democracy by the post-colonial government would push Hong Kong into decline.

firm in the face of declining economic prospects. China will play a crucial role in the survival of the peg. Huge falls in mainland-backed shares listed in Hong Kong yesterday, with the "red chip" index diving 22 per cent, reflected growing fears of a Chinese devaluation which would deal a devastating blow to the currency in a leading trading partner.

Senior officials in Beijing yesterday repeated their determination not to devalue. Economists in Hong Kong believe economic gains would be limited, arguing that China's labour costs remain the lowest in the region and that exports remain strong. Political costs, by contrast, would be heavy, reflecting the crediattached to the suc

The next few weeks could prove decisive in Hong Kong, even with China's announced a US\$2bn asset anxiety and economic weakness could draw speculators into the fray, further eroding lems, like Peregrine's, lie confidence. High interest rates raise the risk of tory faces an increasingly another increase in prime rates following after Friday's rise from 9.5 per cent to 10.25

"Predicting the bottom is like catching a knife," said cent, compared with about 5 one fund manager "The only per cent in 1997, and rising safe prediction is pain."

John Ridding

national help for Indonesia depends. The rupiah's depreciation makes it corporate debts. The prospect of minister, is due to arrive in Indonon its own willingness to reform. Mr foreclosure or dilution of controlling impossible for most companies to esia today. The island state's stock Summers is due to meet President afford debt service, adding to the stakes through debt/equity swaps market fell a further 8.75 per cent Suharto this morning. risk of defaults on the private secmight encourage entrepreneurs to yesterday amid deepening concern

Some banks object to aspects of the J.P. Morgan refinancing plan Cracks appear in S Korea rescue

By George Graham in London and

in New York

International efforts to build stronger footing by a refinancing package for South Korea have started to debts through an issue of run into difficulties with cracks emerging between groups of banks in different believe that time is running countries.

roll their loans to Korean have to begin formal banks forward to March 31, rescheduling talks. buying time for the country . That would involve an to negoriate a longer term official moratorium on loan refinancing arrangement, repayments, and would Some doubt still remains over whether the Japanese banks will-also renew their condition, making it far

Rurousan countries are borrower ambitious plan put forward by J.P. Morgan to put Korea's finances on a refinancing \$25bn of bank

out for this kind of Banks in most countries voluntary restructuring, and have agreed informally to that the country will soon

mark a serious deterioration in Korea's financial orean loans, more difficult for the country have received rather than allowing foreign But banks in several country to return soon as a different messages from banks to swap it for bonds

markets. Although foreign banks

and the Korean government have worked hard to avoid a formal moratorium, Moody's, the credit rating agency, announced last week that it was cutting its ratings for Korean banks on the basis that the forced rollover of interbank credits

was equivalent to a default. Some debt specialists have been critical of the way the problem has been handled. Banks have been grouped by region, rather than coming together in a single bank advisory committee. As a result, banks in each

the different Korean officials, issued by the state, baulking at the terms of an international capital Société Générale said last according to one person at

repatriate money from abroad to pay over the impact of the Indonesian

week that french banks had agreed to renew their bank loans to Korea until March 31, but Deutsche Bank, the German co-ordinator, said only that discussions were continuing. Early indications from

Korea also suggest that the plan hatched by bankers in

Korean Ministry of Finance surprised bank representatives in New York last Thursday with a plan that would leave the country's commercial bank debt on the books of Korean banks,

would be backed by a sovereign guarantee and the interest rate would be set by negotiation between the Korean government and forejgn banks. While this arrangement

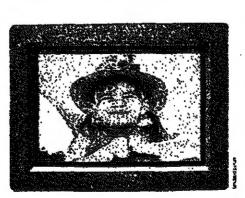
would meet the banks' New York is far from desire for explicit Korean backing for the loans, the An official from the plan apparently won little support from bankers at the meeting.

Setting the interest rate by negotiation, rather than through a straight debt exchange, could well force foreign banks to accept a lower interest rate than they otherwise would have.

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KYOCERA

Fight to keep staff

By John Authers in New York

Large US companies are investing heavily in family education programmes for employees in a bid to cut costs and improve employee retention, according to research launched yesterday by the US Department of Education.

The Conference Board, the business research organisation, found that every dollar spent on family-resource programmes yielded more than \$2 in direct cost

These cost savings are generated by lower absenteeism, lower healthcare costs for employees, and improved performance, according to the report.

It found employees' concern about the issue was growing, with 75 per cent of full-time employed parents saying they did not have enough time with their children. A majority of working women said they were more worried about this issue than they were about the

A survey of 70 large companies by the Conference Board found that 35 per cent of employees with children under the age of 15 would move to new employers if they could be offered more

Issuance of dollar-linked debt reminds investors how it all went wrong for Mexico

Shadow of tesobonos looms over Brazil

means the immediate threat

of wide-scale conversion into

dollars is much less than in

Mexico, where the average

maturity was considerably.

Moreover, in the Mexican

case foreign investors made

up 70-80 per cent of the

investor base in the domes-

tic debt market. In Brazil.

foreigners play a negligible

role, owning probably

around 5 per cent of out-

standing paper.

shorter.

By Geoff Dyer in São Paulo

acing a crisis of confidence in its economy and a run on its currency, a Latin American government issues dollar-indexed debt in its domestic market to ease investors' concerns, but ends up creating a further set of problems for itself.

Sound familiar? Throughout 1994 the Mexican government issued ever greater amounts of dollar-linked paper - largely in so-called tesobonos - in order to reassure those foreign investors who were worried about potential currency risk.

The build-up in domestic dollar debt was then one of the principal causes of the government's liquidity crisis after the bungled devaluation. The experience has left the word tesobonos scorched in the memories of many US

fund managers. Fast forward to late 1997 and traces of the same process can be detected in Brazil. With its currency coming under pressure as a result of the Asian economic crisis. Brazil has increased significantly the issuance of

domestic dollar-linked paper. Between the end of May and the end of November, the amount of government dollar-indexed securities rose from R\$15.6bn to R\$27.7bn flexible work arrangements. (US\$24.8bn), an increase of

78 per cent. The outstanding debt is equal to 53 per cent

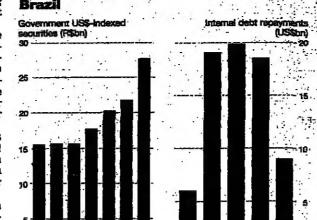
We are well aware of the tesobonos curse," said Francisco Lopes, director of monetary policy at the Brazilian central bank. The government intended to keep the level of short-term dollar obligations within 20 per cent of reserves, he added.

However this goal has already slipped. At the end of November, the R\$15.3bn which was due to mature in 1998 was equivalent to 27 per cent of reserves.

This creeping dollarisation forms part of a broader anxiety about Brazil's ability to roll over its huge internal debt stock of R\$255bn. The near doubling of interest rates in order to defend the currency is putting pressure on an already large budget deficit. Meanwhile the financial market turmoil has coincided with a period of hefty debt repayments -\$19bn in December, \$20bn this month and \$18.5bn in February.

John Welch, Latin American economist at Paribas in New York, said potential difficulties in rolling over the domestic debt were the "principal risk" facing the Brazilian economy.

"If the authorities continue to issue US dollar-indexed liabilities, the credibility of cash reserves will be



compromised at some point," said Arturo Porzecanski, head of global research at ING Barings in New York in a recent report.

Could this be a re-run of the tesobonos experience? The growth in domestic dollar-linked debt has certainly alarmed investors. However economists stress important differences from the build-up to the Mexican crisis that make the Brazilian situation less risky.

First, the Brazilian securi-Some economists argue ties have an average matuthat the nationality of these rity of 17 months, which



Pedro Malan: has led drive for fiscal austerity.

because when a crisis really takes hold, capital of all colours seeks an exit. However, François Gour, Latin American strategist at Caspian Securities, said that, unlike Mexico, Brazil had a large market of investors who were obliged to buy local

The institutions buying these bonds also have a different motivation from those in Mexico. Tesobonos were purchased by foreign fund managers looking for higher yields but no currency risk. in Brazil, the demand has

come largely from less fickle Brazilian banks looking to hedge dollar positions.

In most cases these banks have acted as a counterparty to an investor looking to hedge their Real exposure, often by selling the currency in the futures market. A dollar-linked bond issue gives the bank a dollar asset to match its liability, without the need to go into the foreign exchange market, which would put pressure on the currency

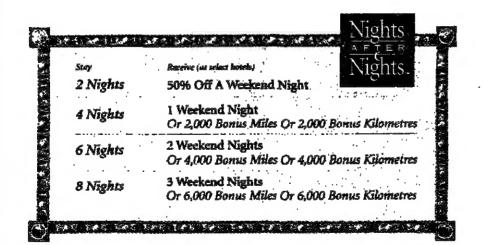
ing issuance of tesoconos measured the declining degree of confidence of foreign investors in the currency: in Brazil the growth in dollar-linked paper is a yardstick for the level of nedging against a currency levaluation.

Perhaps the starkest con trast with the Mexico of 1994 has been the government's response. The Mexican government did not take tough monetary or fiscal action. Brazil's economic policy makers have introduced an austere fiscal package to restore confidence.

These decisive steps have earned Brazil some breathing space. Recent debt auctions have been much better subscribed and maturities are extending, easing fears about a failure to roll over expiring debt. Meanwhile interest rates have started to fall and reserves appear to

he recovering. However, investors will continue to watch the domestic debt market ely. A sharp worsening of the crisis in Asia or a large Wall Street correction could spark another wave of global market volatility and prompt a further liquidity crunch in emerging economies. And this time it would reach Brazil when the However, despite this sub-tle distinction, the same pro-already stretched tight. domestic debt market is

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US healthcare costs top \$1,000bn

By Nicholas Timmins

US healthcare costs rose by the smallest amount in still topped \$1,000bn for the first time, a study by the federal government's national health accounts team revealed yesterday.

The increase is small by historic standards - 4.4 per -according to the studyper cent after adjusting for inflation.

growing and controversial approach of limiting treatments to those which doctors and insurers believe to be effective, and paying doctors a fixed sum per patient, rather than a fee for each item of service they provide. By 1996, 60 per cent of Americans were covered by such schemes, compared to 36 per cent in 1992.

The small increase still left the US with the most costly health system in the world, consuming 13.6 per cent of the country's gross domestic product, a figure that has stood unchanged

for four years. But the study found signs that health insurance premiums were rising again last year, and would do the same in 1998 and beyond as insurers catch up on years of keeping premium increases below the underlying growth

in costs. profitable in 1996, against 90 spending.

per cent two years earlier. In addition, while the increase was the smallest since comparable records began in 1960, American consumers felt sharper increases in their personal contributions as employers shifted more of the cost of

coverage to employees. Overall, employees paid an extra \$3.6bn last year, cent, or an all-time low of 1.9 fuelling resentment against managed care.

Managed care and public It reflects the impact of programme initiatives tarmanaged care, the rapidly geted at slowing healthcare spending growth had a real impact on healthcare costs," Katharine R. Levit, one of the study's principal authors, said in Health Affairs, the journal which published the study. Other factors include overcapacity in hospitals and the health system which has encouraged plans to negotiate sig-

nificant premium discounts. The study also reveals a marked shift in spending from private to public sources, a move that will be dent Bill Clinton's proposals to extend Medicare below retirement age is adopted.

Of the \$1,035bn spent in 1996, 47 per cent came from public sources, against 40-42 per cent between 1975 and 1989. On average since then. public sector spending, chiefly on Medicare, the programme which covers the elderly, has risen at an aver-On one estimate, only 35 age of 9.7 per cent, against per cent of health mainte- an average annual increase nance organisations were of 5.8 per cent in private

Top envoy fears Iraqi conflict

By Bruce Clark

Richard Holbrooke, architect of the Bosnian peace agreement, said yesterday the US faced a "very rough year" in foreign policy because of the risk of crises across a wide arc of the Balkans and the Middle East.

Flashpoints could emerge anywhere from former Yugoslavia to Iran. Mr Holbrooke singled out President Saddam Hussein of Iraq as "a greater challenge to us than anything else except Bosnia in the past six years. "We are heading towards a

confrontation with Iraq that could end with a significant use of force later this year," said the diplomat, the US administration's special envoy for Cyprus. Greece and Turkey were

on an escalating collision course" and Iran was still a policy, he declared, in a speech to a global business and claimed exemption from forum organised by the Lib-

erty Mutual Group.

The chances were "some combination of events will trigger another crisis" in the region stretching from the Balkans to the Gulf. But the Clinton administration would be judged favourably by history for developing a clear strategic vision in Europe, albeit belatedly, and engaging with President Boris Yeltsin in Russia.

The administration's Russia policy would be vindicated despite the "tremendous problems" posed by that country.

US leadership in Europe had been successfully reasserted by the Bosnia settlement, Nato enlargement and the partnership agreement Washington plans to sign with the three Baltic states later this week, he added.

Mr Holbrooke who began as an Asia specialist, said he was "appalled" when Asian "sore point" for US foreign politicians blamed their region's problems on the US western democratic values.

NEWS DIGEST

'Millennium bomb' call

The US Securities and Exchange Commission yesterday issued guidance calling on public companies to inform investors about plans to deal with the so-called

millennium bomb" on their computer systems The guidance, issued by the SEC's corporate finance division, says companies must make the information publicly available, and any companies which have not yet made a formal assessment of the material impact of the

problem on their operations must inform investors. The move follows growing congressional concern about the potential magnitude of the problem and its effects on the US economy. Legislation is being considered in both the House and the Senate to force companies and the federal government to pay closer attention to the issue.

The problem arises from the fact that many computers' two-digit dating system cannot tell whether "00" activities. Mark Suzman, Washington

■ ONTARIO HYDRO

British Energy ponders role

British Energy, the UK nuclear utility, yesterday confirmed it was examining the possibilities of taking ome role in Ontario Hydro's nuclear division.

Preliminary discussions with Ontario Hydro and its workers' union could eventually result in British Energy acquiring, managing or acting as consultants in the operation of some of the public utility's nuclear reactors.

An Ontario Hydro select committee on nuclear rehabilitation recently suggested public/private partnerships should be pursued to keep open seven nuclear reactors scheduled to be shut down this year.

Ontario Hydro made the decision to close the reactors in August as part of a C\$5bn-C\$8bn (US\$3.4bn-\$5.5bn) plan to restore its ailing nuclear division. A scathing internal

report found that operational safety conditions at several nstallations were minimally acceptable. Scott Morrison, Toronto, and Simon Holberton, London

■ PRICE-FIXING

Go-ahead for criminal cases

The US Supreme Court yesterday declined to hear an appeal on a ruling against a Japanese paper company, eaving anti-trust authorities free to pursue criminal price-fixing cases against foreign companies.

The court rejected a request by Nippon Paper Industries to overturn a judgment by a federal appeals court that US anti-trust law allowed such investigations if the case had "an intended and substantial effect on the US". Nippon, which was supported by the Japanese government, said the decision violated international sovereignty and could spark retaliatory action.

The case was initially brought by the Justice Department's anti-trust division, which alleged that Nippon Paper and other companies making thermal fax paper had conspired to fix prices in North America in the

GUYANA POLL

Caricom to look into row

The Caribbean Community is sending a mission to Guyana this week to resolve a row over the conduct of last month's general election. The country is growing tense following three weeks of street protests and three bomb blasts last week.

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THE PARTY OF THE P

The mission from the 15-nation community, of which Guyana is a member, will meet party leaders. The main opposition People's National Congress is calling for a new election, saying the vote won by the People's Progressive party was fraudulent.

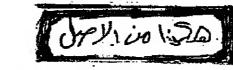
MICROSOFT IN COURT

Contempt hearing today

Microsoft's lawyers are to appear in court in Washington today, to defend the company against charges that it has been in contempt of the court by failing to comply

properly with a judge's order. Last month, Judge Thomas Penfield Jackson ordered Microsoft to "unbundle" its internet browser from the Windows operating system so PC manufacturers could choose, if they wished, browser software from a Microsoft competitor. Microsoft is offering PC manufacturers an older version of Windows that does not include a browse or the latest version of Windows with the browser

removed, which is not fully functional. The charge is the latest development in Microsoft's anti-trust battle with the US Justice Department, which is seeking fines of \$1m a day against the software industry-Louise Kehoe, San Francisco



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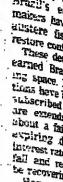


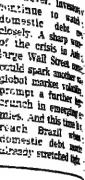


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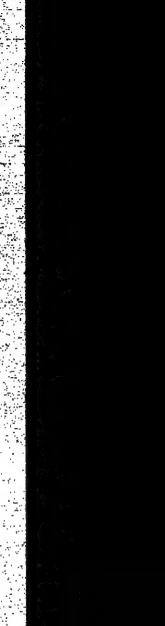














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Global System Integration To provide sophisticated corporate infocommunications networks for multinational companies in a global fashion, NTT maintains offices in key business centres around the world.

Overseas Carrier Business

Our worldwide carrier operations help establish much needed telecommunications networks in countries throughout Asia, such as Thailand, the Philippines, Indonesia and Sri Lanka. NTT's participation in the Malaysian Multimedia Super Corridor (MSC) project and the Asian Multimedia Forum (AMF) are just two of our recent activities to develop advanced multimedia application services.



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ASIA IN CRISIS

Complacency gives way to contagion

In the second of five reports, John Ridding and James Kynge describe how the impact of Thailand's devaluation spread around the region and the world

rowth, said Mahathir Malaysian prime onderful buffer. Like a river in flood, it obscures the rocks

Before the Asian financial crisis developed, it had become almost an article of faith that the economies of the region would maintain rapid growth ad infinitum. Malaysia's own government target was for an annual growth rate of at least 7 per cent until 2020.

But when Thailand began to unravel, so too did the conviction that the south-east Asian tiger economies had somehow found the secret of perpetual growth.

Investors who for years had turned a blind eye to warnings of structural imbalances, quickly began to reassess the fast growing economies of the region. The subsiding floodwaters revealed all too many rocks.

The dangers varied from place to place. In Dr Mahathir's own country, Malaysia, the main problem was that the quality of the economy's growth had been deteriorating for several years. There was a chronic shortage of labour, which resulted in wages rising at a far higher rate than productivity. To compensate, the government had encouraged a surge of investment - in 1996, investment accounted for 43 per cent of gross domestic product. the highest in the region.

But the average returns from such investments had been shrinking as the authorities embarked on progressively more grandiose and economically questionable infrastructure

One was the world's tallest building, Petronas Towers: another a new administrative centre. Putraiava, to be built just 25km south of the capital for an estimated M\$20bn (US\$8bn at the pre-July rate of exchange).

Biggest of all was the huge Bakun dam project, which at a cost of M\$13.6bn was to be the most expensive and yet least efficient new power scheme in the country. It has since been postponed indefinitely.

The investment vortex sucked in imports and led to a growing current account deficit. At the same time, exports appeared to be losing competitiveness, partly due to competition from China and other lower-cost countries, relatively slow ascent up the value-added ladder. Yet the government stilled the alarm bells by directing a compliant local media not to report negative news.

Cushioned from reality, many companies continued borrowing at a feverish pace until late 1997. By the end of the year, total domestic loans stood at around 170 per cent of gross domestic product, the highest level of domestic indebtedness in

Though the different countries of the region each had their own characteristics, the overall picture - overheated economies creaking financial systems. flagging competitiveness - was similar. In the aftermath of Thailand's decision to let its currency, the baht, float lownwards, most were forced to follow suit. Of the south-east Asian economies, only Hong Kong managed to retain a

currency pegged to the US dollar.

But though the move towards

Dr Mahathir's outspoken confrontation with Georg currency depreciation was swift, there was much less haste in. coming to terms with the structural problems that the Thai crisis revealed. Indeed, the prevalent attitude was one of denial. Dr Mahathir, for example, conducted a highly visible campaign to blame others for Malaysia's problems.

At the 30th anniversary celebrations of the Association of South East Asian Nations (Asean) in July, he delivered a vintage performance. George Soros, the US financier, he declared, was the arch-villain in a conspiracy to impoverish south-east Asian nations by attacking their currencies.

Mr Soros denied any involvement in attacking the ringgit, Malaysia's currency, and Dr Mahathir did not supply evidence to back his claim. But for weeks in August Mr Soros became a national bête noire. everyone from bankers to taxi drivers lambasted him.

Dr Mahathir ascribed the turmoil in financial markets to an ever-widening cabal of miscreants. Foreign fund managers were selling Malaysian shares because they were "racist": rapacious currency speculators were ignoring Malaysia's sound economic fundamentals; the west was gloating over the crisis in south-east Asia; rumourmongers, who "should be shot", were spreading lies and a "Jewish agenda" was at work against the country.

The rhetoric helped shore up Dr Mahathir's already formidable domestic power base. But several influential businessmen began in private to question the wisdom of Dr Mahathir's remarks; almost every time he attacked his perceived enemies, the ringgit and stock prices fell.

More damaging to investor confidence than the prime minister's speeches were several decisions which appeared to contravene free-market principles. In September, the government briefly outlawed the short-selling of stocks (the selling of shares you do not own in the hope of obtaining them later at a cheaper price to complete the deal at a profit).

It also unveiled a plan to use state pension fund money to prop up share prices by buying stocks from Malaysians – but not foreigners – at a premium to prevailing prices.

These decisions were announced by Dr Mahathir alone. The conspicuous absence of his deputy and probable successor. Anwar Ibrahim, who is also finance minister, fed speculation of a rift between the two.

brush the problem aside was unique. But in most other countries of the region. governments still hoped that the economic turbulence unleashed by the Thai devaluation would soon pass. That view was shared by a number of influential western officials.

The two sides came together at the annual meetings of the International Monetary Fund and the World Bank, held - by ironic coincidence – in Hong Kong and intended, at least in part, to celebrate the region's economic

Much of the corridor gossip at the meetings was dominated by

confrontation with George Scros given a extra twist by the resence of both men in Hong Kong. in perhaps the most emotional speech heard at an IMF/World Bank conference, the "unscrupulous profiteers" whom he charged with manipulating markets and seeking to impoverish the region. "When they are annoyed they

can destroy us altogether, they can reduce us to basket cases, he added, pointing to the "rape of Malaysia's share market

Dr Mahathir prescribed a bold solution – a ban on currency trading. "It is unnecessary, unproductive and immoral," he declared. Later, Dr Mahathir told journalists that Malaysia was considering curbs on currency trading. Mr Anwar was left to clarify that Malaysia had no plans actually to ban currency

Mr Soros, also in Hong Kong, struck back the next day. Condemning Dr Mahathir as "a menace to society", the financier accused the prime minister of using him as a scapegoat to cover up his own policy failures. The 'Asian values" preached by the premier also came under attack. "A convenient pretext for resisting democratic aspirations, said Mr Soros.

Such fireworks aside, most delegates and officials were more concerned to play down worries that Asia was facing a serious crisis. Michel Camdessus, the managing director of the IMF, and James Wolfensohn, the president of the World Bank, uttered reassuring statements on Thailand's progress, "I am satisfied with what they are doing," said Mr Camdessus. although he did add that the IMF was "impatient" to see reforms in

Coming up in this series

Tomorrow:

Thursday:

Korea's struggle

to avoid default

Where next for Asia?

politicians from the major

economies all predicted a

contagion effect is greatly

executive of one European

The Thais themselves did

country's top economic and

much to soothe ruffled feathers.

In a public act of contrition, the

financial officials went before the

"On behalf of the government

ssembled press to state their

and the people of Thailand, we

are here to make some important

statements, to bare ourselves, if

you will, to the world," said

minister.

Thanong Bidaya, then finance

Visiting dignitaries seemed

impressed. "I think it is fair to

say that they have expressed real

commitment to working with the

IMF and World Bank", said

investment bank.

Bankers, businessmen and

rebound for the region. "This

exaggerated," insisted a senior

Friday:

The threat to Japan's

financial institutions



Mahathir Mohamad (left) versus George Soros: opponents with conflicting views of the crisis. Mahathir dubbed Soros the arch-villain in a

Robert Rubin, US treasury secretary. In private, however, one economic official was much less optimistic. "There is still a lack of appreciation in Bangkok about just how serious this is,"

he said. It was clear, however, that some of the countries in the region would require external assistance. The discussion on this point, spurred by Japan, revolved around the creation of a possible 'Asian Monetary Fund", which might disburse funds according to a different set of conditions to those imposed by the IMF.

The implicit message was that

manage its own financial affairs.

in bad times as well as good, and

came to dealing with the region.

powers, especially the US, which

discipline on troubled economies

opposition won the day and the

proposal was greatly weakened

not least because the scale of

There would indeed be an

under the IMF's jurisdiction, and

countries that had already agreed

Asian fund, but it would be

would be available only to

Having fought so hard to

to the IMF's conditions.

Asia's problems was now

becoming clear.

saw it as a threat to the IMF's

ability to impose appropriate

After the IMF meeting, US

The idea was viewed with some

Asia was mature enough to

that the western-dominated

institutions, such as the IMF,

might not know best when it

dismay by the main western

preserve the IMF's central role, the western powers would soon find themselves committed to larger-scale lending to Asia than they had ever envisaged.

The event that persuaded the international financial community that the Asian crisis was both serious and lasting came a month later, in late October.

Like the IMF conference, it took place in Hong Kong, still firmly pegging its currency to the US dollar. The incident started as a few twitches in the interbank market. By Thursday October 24, the twitches had turned into convulsions: overnight interest rates had soared above 300 per

That surge signalled the battle for the Hong Kong dollar, the last Asian currency to be linked to its US counterpart. "It was the first real live test of the exchange rate system," said Donald Tsang. financial secretary, "The shoot-out at the OK Corral", was how one investment banker put

As the Hang Seng share index fell by more than 25 per cent in four days, the ripples spread across the world. Stock markets from Wall Street and London fell victim for the first time to Asia's financial upheaval, confirming

the threat of contagion. Though the immediate crisis passed in Hong Kong, with overnight rates falling back to 4.5 per cent within a few weeks, the events of those nerve-frayed days have resounded ever since.

This week, the Hong Kong dollar has again been under strain, and Peregrine, the territory's leading independent investment bank, has gone into liquidation.

Hong Kong's commitment to the dollar peg involves more than just amour-propre. So soon after the return to Chinese sovereignty, a successful assault on the currency system would have devastating effects.

"If the peg goes there will be capital flight and a collapse of confidence," said John Mulcahy, managing director of W.I.Carr. "The peg is like chastity," added another investment banker. "You can lose it once."

Despite the stakes, or perhaps because of them, the dark days of October revealed the resilience of Hong Kong. There was panic selling of shares, but not capital flight. Markets which had closed during the 1987 crash stayed open and the financial

authorities held their nerve. Joseph Yam, the head of the Hong Kong Monetary Authority (HKMA), and the guardian of the exchange rate system, had long been preparing for a challenge to

Armed with US\$90bn in foreign exchange reserves and a track record of tough action, he signalled an uncompromising stance towards banks providing funds for speculators.

Those that repeatedly borrowed from the liquidity adjustment facility – the last resort for money market funds could find themselves paying punitive rates, he warned.

"It all started on Tuesday October 21 with substantial orders to sell Hong Kong dollars for US dollars, and it intensified on Wednesday," said Mr Yam. On the Thursday, he said, the HKMA sat and watched as banks desperate for funds to settle short positions on the Hong Kong dollar pushed interest rates

skywards. By Thursday afternoon, Mr Yam was confident the speculators had been repelled. But faced with the risk that the monetary squeeze could push overnight rates "even to 1,000 per cent", and in anticipation of US dollars being sold back to the HKMA, Mr Yam injected Hong

Kong dollars into the system. "The short position on Hong Kong dollars quickly closed on Friday," he said. "That was the end of the attack."

Victory was won only at a price. In an economy built on the twin pillars of banking and property, a rise in interest rates causes considerable damage. In the months that followed the October attack, that damage has

Attention in Hong Kong, in the

closing days of October, was focused on the local currency and stock market. But around the region - and around the world the crisis was building in intensity. Thailand's rescue package had been agreed with the IMF some time before, but the depth of its commitment to

reforms was unclear. Political uncertainty was adde to the mix, as the Thai government resigned. Indoo agreement, but the Suharto government's willingness to implement would soon come into

More important still, tensions were building up elsewhere – in South Korea and Japan, the two countries in the region with the most important economies and the widest financial and commercial connections with the

rest of the world. Korea, itself a rapidly growing tiger economy, was exposed to the same pressures that had beset the rest of the region beightened by political uncertainty ahead of an election scheduled for December. Its ambitious industrial conglomerates, or chaebol, had built their worldwide expansion plans on huge mountains of debt. from local banks and international ones. Devaluation had raised the cost of paving off foreign-currency loans. If that threatened the corporate sector's viability. It also risked undermining the domestic

anking system. All Korea's international creditors would suffer from such a crisis – and prominent among them would be the Japanese banks, already suffering from the huge domestic bad debts generated during the bubble years of the 1980s. Japan's economy was showing no signs of emerging from the stagnation caused in large part by its weakened financial system. Until now, Japan had managed to muddle through, keeping its big financial institutions afloat. As November began, the Asian crisis started to call into question the viability of that strategy.

Calm defender of the dollar peg

At the end of "Black Thursday" in late October, amid the despair of a stock market crash, Donald Tsang, Hong Kong's financial secretary, took a sip of tea and addressed his audience.

'An interesting day, not too exciting," he said of the most serious assault until then on the territory's 14-year-old exchange rate system. "The speculators arrived some time last night. I had a reasonably busy time."

Such studied understatement masked the gravity of the situation. But it underlined Mr Tsang's strategy of calming sentiment. Last autumn, the strategy worked. Now, with Hong Kong's financial markets again under pressure and its leading independent investment bank in liquidation, a cool head and his ability

more be vital to Hong Kong. Mr Tsang is not always known for a cool head. Outbursts opposing industrial policy or curbs on democracy frequently placed him in the front line of Hong Kong politics. But the financial secretary has managed to steer a steady economic course through the territory's return to Chinese

It was perhaps his outspoken stance which ensured that he stayed in his job under the postcolonial administration. "He was seen as champion of one country. two systems," says one diplomat, referring to the formula which underpins the transfer of sovereignty and promises autonomy for Hong Kong. "If he had been

to sustain confidence will once have been very worried about China's intention As before, Mr Tsang is deter-

mined to stick to his guns. There is no question of a change in polinterest rates needed to protect the Hong Kong dollar, the damage to the property sector which has already seen prices fall by 20 per cent - and the devastation in the tourist industry.

Such staunch support for the fixed exchange rate link to the US dollar might seem curious from someone with Mr Tsang's laisser faire credentials. But he insists the territory's small open economy needs an exchange rate anchor for stability. Given the currency system's crucial role in maintaining investor confidence blings of discontent from the replaced, I think investors would under Chinese sovereignty, he retail and industrial sector

believes any tinkering would deal a heavy blow to confidence. The last time that happened, the political crises of 1983, continues to haunt Mr Tsang. "That

summer was horrendous." he says, recalling the bank runs which prompted the establishment of the linked exchange rate system. "Housewives were willing to give up Hong Kong dollars for toilet rolls. It was Hong Kong's most turbulent time."

Avoiding renewed turbulence, however, will prove a stern test. With US\$90bn in foreign currency in circulation, it would be very difficult for speculators to break the peg. But capital flight could. And although rum-

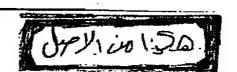
ued high interest rates could crack the consensus behind the

currency system. Across the border, further evidence of slowing growth could prompt China to devalue the doubts about the Hong Kong dollar peg. With other currencies in the region lower now than in the autumn, pressure on the mainland's exports and on its present

policy mix are higher than ever. In the last severe test - the autumn crisis - Mr Tsang liked what he saw from Beijing. "Dur-ing that week [of the crisis] there was not one telephone call, fax or instructions," he said. "I was pleasantly surprised."

John Ridding





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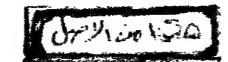
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Systems 'bomb' plea goes to Clinton and Blair

By Jimmy Burns in London

SDAY JANUARY II

The US, UK and Canadian governments will today be confronted by an unprecedented note of alarm from business leaders the century. over the threat posed by the com-

puter "millennium bomb". In a statement to be delivered to President Clinton and the British taking adequate steps to protect control and defence systems". and Canadian prime ministers, internal systems "total success more than 60 senior executives will be difficult to achieve" the statement are Sir Brian Pitwarn that "rapid and focused

disruption to public services on fear that governments lag in Aerospace. Martin Broughton of both sides of the Atlantic. The assessing and addressing the BAT Industries. Sir Robert Clarke "bomb" refers to the imbility of older computer systems to cope with the date change at the end of

The statement - which has been made available to the FT claims that, while businesses are because of interaction between man of the Lloyds TSB banking

warns that disruption could extend to "delays in welfare payments, the triggering of financial chaos by a breakdown in revenue collection and debt management, and malfunctions in air traffic

Among the executives signing action" is needed to avert serious private and public sectors. "We group, Robert Brauman of British

problem," says the statement. It of Thames Water, Donald Gunthere of the Bechtel Group, Niall FitzGerald of Unilever, Pierre Lortle of Bombardier, William Rogers of Texas Industries and Peter Pestillo of Ford Motor Company.

NEWS: UK

A driving force behind the letter is thought to have been Mr Fitz-Gerald. Unilever said he was concerned about "external threats" to the private sector posed by inade-

who agreed to the letter after a meeting in California last month under the auspices of the British North American Committee, an ad hac forum which meets twice yearly to discuss issues of pressing concern to commerce and

The BNAC is sponsored by a British North American Association, and two North American the bug.

Digital TV: coming to a screen near you

Other signatories include aca- think-tanks, the National Policy demics and trade union leaders Association in Washington DC and the C.D. Howe Institute of Toronto.

Simon Webley, the BNAC's director, said: "Governments are being less than frank by telling us that they have the problem under control." The letter was described as "very well timed and necessary" by Robin Guenier, head of British registered charity, the Task Force 2000, which has been

may back easing of beef ban

FT Reporters in London

The European Commission is expected tomorrow to advising the UK government on back move to allow Northern Ireland to resume the export of beef nearly two years after the EU banned exports of British beef.

The favourable decision would bring hope to the UK beef industry, which was yesterday bit by warnings from the British Medical Association that consumers should treat all meat as potentially contaminated.

Under the Commission proposals, the export of cattle from certain herds certified to be free of BSE, or "mad cow disease", would be permitted. The step would initially favour Northern Ireland, because the region has Britain's most complete computerised tracking system for cattle.

The move would represent a significant shift in the position of the Commission. But its decision could well be rejected by the chief veterinary officers of EU memper states, or by ministers at

the agriculture council. Meanwhile, the association's warning that all raw meat in the UK should be treated as contaminated and a potential source of food poisoning was criticised as told the House of Commons agriculture committee of widespread incidents of salmonella, E.Coli 0157 and campylobacter food bugs. Last year a record 1m people were hit by food poisoning.

Doubt over BSkyB digital launch

Set-top box maker says it is unlikely to start manufacture until summer

and Cathy Newman

Pace Micro Technology, one of four makers of set-top boxes for British Sky Broadcasting's 200-channel digital television service, yesterday cast doubt on the ability of BSkyB to launch by late April or May. Pace said it was unlikely to begin mak-

ing boxes until early June. BSkyB said it was on track to launch its digital service in the "second quarter" of the year. Until now, BSkyB has talked of a "late spring" launch, which has been widely interpreted by analysts to mean late April or

BSkyB also confirmed that SES, a Luxembourg-based operator of satellites, would move one of its Astra satellites into a new orbit to guarantee a prompt launch. This follows a delay to a satellite that BSkyB will even-

The Pace announcement is the latest development to

dubbed Some the ende-

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would be a modest adjustment, it helped knock 3 per cent off BSkyB's shares in

London yesterday. The market's reaction illustrates the nervousness surrounding the launch of digital television services.

June start would clash with soccer series to be shown by rival terrestrial networks

Launches are also planned by the British Digital Broadcasting consortium and some cable companies. In practice, a delay of BSkyB's service until early summer would not be disas-

It already has an existing analogue service to tide it that such services will build BSkyB's launch until at through and would also eas- up from a slow start. Data-

launches.

The difficulty with launching in June, rather than in April or May, is that it would clash with the soccer World Cup, the leading summer event for many TV viewers, which is to be shown in Britain on the BBC and ITV terrestrial channels.

Neil Blackley, a media analyst at Merrill Lynch, the US investment house, said the World Cup is likely to draw a big audiences on ter-restrial television.

BDB, a company owned by Carlton Communications and Granada Group, faces obstacles in launching a service around October this year. It is seeking a chief executive, and also has technical hurdles to overcome.

BSkyB's debate over settop boxes, which unscramble digital TV signals, is common to broadcasters in several European countries. Eventually televisions will have the technology built in. Analysts support the view

least June. Although this ily beat the other planned monitor estimates that 23m satellite boxes will be sold in Europe this year, and the total number installed will rise to 13.4m by 2002.

One problem is lack of agreement in the US or Europe about operating stan-Microsoft and Oracle are among companies competing with Open TV, which will provide software for BSkyE boxes. Malcolm Miller, chief executive of Pace, says production is affected by uncertainty among broadcasters about what services to carry, particularly interactive ones such as home shopping and banking.

The key problem delaying BSkyB relates to British Interactive Broadcasting (BIB), an interactive shopping and banking service that will form part of its digital offering. BSkyB owns BIB jointly with other com-

BIB was formed to defray the subsidy to lower the prices of digital set-top boxes from their wholesale level of about £400 each to a shop

In the first nine months of

1997, SKW boosted Group

(comparable 1996 period:

DM 2.9 billion). The strong

increase was in large part

due to the consolidation

of acquisitions. Excluding

dation group as well as ex-

increase in sales amount-

inclusion of Master Build-

change rate factors, the

ed to 4%. The first-time

ers Technologies (MBT)

is expected to increase

Group sales for the full

billion compared with

DM 3.9 billion in 1996.

Pre-tax profit for fiscal

1997 will also show a

despite the first-time

significant increase. And

amortization of goodwill

resulting from the MBT

acquisition, net profit is

expected to again reach

DM 150 million. SKW's

management board anti-

last year's level of

cipates earnings per

share (according to the

DVFA/SG method) of

over DM 3.00 for 1997

after DM 2.25 in 1996

and plans to propose

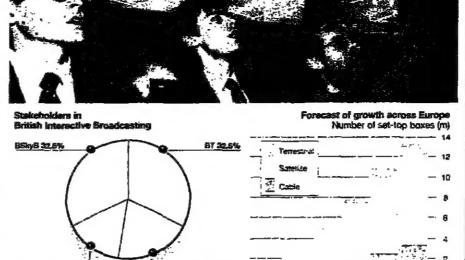
another increase in the

and the financing expenses

year 1997 to some DM 5.3

changes in the consoli-

sales to DM 4.2 billion



essential to attract sales

But BIB is under investigation by the European Com-

mission, which is worried

price of £200. This is seen as about the linking of two essential to attract sales dominant forces in the UK market in BSkvB and British Telecommunications. This is not guaranteed.

As a result, BSkvB may have to provide temporary finance to get manufacturers to begin production and reclaim those costs from

curb is prompted by EU

By Leyis Boutton, Environment Correspondent

The government yesterday unveiled proposals to crack down on groundwater poliuof legal action by the European Commission.

The proposals could cost British farmers up to £500m (\$800m)to implement. according to a government consultation paper. Other polluters likely to be affected include clothes cleaners who store solvents in old storage tanks, and military bases where chemical and fuel supplies could seep into water supplies.

A senior government official said yesterday precautionary action was being taken to avoid polluting groundwater that was mostly "clean and good".

He said this was in line with the UK's keenness for EU agreement on a water its six-month presidency of

But officials said the move followed a complaint last body that Britain had failed properly to implement a groundwater directive. The commission acted

after contamination last year of a private borehole in the north of England by sheep dip, already criticised for allegedly harming the health of farmers.

 A report by the government's Committee on the Medical Effects of Air Pollution will confirm research that pollution from vehicle exhausts causes the early deaths of up to 10,000 people suffering from respiratory

Pollution | PCs safe from network rival, says Compaq

By Paul Taylor in London

remain the mainstay of most big corporate information technology networks and are Companies are wasting not threatened by network computers, according to independent research published yesterday by Comp Computer, the world's biggest PC manufacturer.

According to the UK-based research, almost three quarters of IT directors and managers see no role for the NC - a diskless machine designed to operate over computer networks - as a PC replacement in their organisations and 72 per cent do not expect to purchase NCs within the next two years.

Significantly, just over a third cited the main advantage of moving to NCs as breaking the stranglehold of Microsoft in the PC market. That finding underlines the current hostility felt by some IT mangers towards Microsoft, and their fear of becoming overly dependent on the US software com-

The research was conducted by Benchmark ing to the Compaq research, Research and based on interviews with almost 400 IT directors and managers in companies with more than 250 PCs. Larry Ellison, chairman of Oracle, launched the NC concept over two years ago amid concern over the costs of managing increas-

ingly complex PC networks. Early NCs have yet to win widespread acceptance. In response, traditional PC vendors including Compaq backed by Intel, the US semiconductor maker, and Microsoft, the software developer,

Personal computers will Savings on net links 'missed'

> money because they are reluctant to change their internet service provider, even though some are paying three times as much as others for a fixed link, according to the latest Britsored internet report. The study was prepared by Durlacher, the multimedia research firm, and based on

a survey of more than 300 businesses. It says 80 per internet have never tried another provider and only per cent have ever stopped using an access provider because of cost. The survey shows that some companies are paying more than twice as much as others for a 64Kbit fixed link and up to 28 times as much as others for a standard dial-up modem account.

have launched the NetPC a slimmed down PC. Accord-44 per cent of IT managers view the NetPC as a viable

Just over half the respondents to the survey did not believe the NC would reduce overall IT costs and two thirds believed the rewriting of existing applications was the biggest cost associated with implementing NCs. The main disadvantages of NCs are seen as reduced flexibil ity and the need to replace

Sun Microsystems, Page 17



1997 has been our most successful year yet.

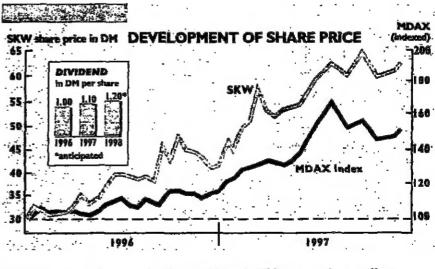
RESTRUC-**TURING AND** INTEGRATION BOOST PROFITS

The Nature Products Division achieved sales of DM 1.214 billion in the first nine months of 1997, which is an increase of 3.2% over the same year-earlier period. A major contribution to

this increase came from SKW Biosystems (formerly SBI Systems Bio-Industries). Higher sales, a successful restructuring and favorable exchange rates contributed to higher earnings in this division.

Sales for the Chemical Division rose 9% over the comparable year-earlier period to DM 1.053 billion. Earnings also increased visibly due to favorable market conditions in the chemical industry, improved business in the steel and foundry industry, and the year-long strong US dollar.

As a result of the first-time inclusion of Master Builders Technologies, SKW's Construction Chemicals Division more than doubled sales in the first nine months to DM 1.937 billion from DM 800 million. Earnings in this division continued to be strong. The integration of MBT is moving



ahead smoothly and will have no adverse effects on Group earnings.

FURTHER GROWTH EXPECTED

At SKW's recent fall press conference, chairman Wilhelm Simson said he expects the company's sales volume to almost double to DM 10 billion over the next five years through internal and external growth. The internationalization of the Group is progressing well. Particular growth opportunities are seen in Asia and the Americas which in the medium term could raise the contribution of non-European markets to Group sales from presently 40% to 50%. "We feel at home in Europe, Asia and America," Simson said. SKW currently employs some 6,000 people in Germany and roughly 8,000 internationally.

SKW Trostberg AG Investor Relations P.O. Box 1262, D-83303 Trostberg, Germany Phone: (+49) 8621 /86-24 30 Fax: (+49) 8621/86-20 40 Internet http://www.skw.de e-mail: moell_dieter_skwir@compuserve.com Member of the VIAG Group

scheme for jobless young Andrew Smith, employ-

By Andrew Bolger, Employment Correspondent

day it expected 150,000 the quality of work and people to take up the envi- training to get young people of its welfare-to-work effits to the environment. He scheme for the young unem- said: "Our young people

Under the New Deal for benefit unless they join the

take a subsidised job. allay concern that the envi- that has gone before." ronmental taskforce will be • Employers are continuing per cent in 1995. seen as the scheme's least to invest more in training altractive option. their staff - although the

ment minister, promised the individual dropped slightly government would make The government said yester sure the taskforce offered Industrial Society.

the long-term unemployed, kets. The environmental dence of skills shortages. taskforce option provides a environmental taskforce, improvement through an found that last year organienter full-time training or array of jobs and choice sations spent an average of Ministers are anxious to worlds apart from anything over on training - up from

The survey of 490 training

Minister lauds state work

The society's annual survey of training budgets ronmental taskforce option into jobs and bring real ben-found an average real terms increase in spending of 2.24 per cent, which it described need the skills and confi- as reasonably encouraging dence to face the jobs mar- in view of increasing evi-

last year, according to the

constructive way to self and personnel professionals which is high in quality and 1.12 per cent of their turn-0.95 per cent in 1996 and 0.85

'If there is an area of concern, it is Korea,' says Foreign Office minister

Investment from Asia 'healthy'

By David Buchan Diplomatic Editor

Inward investment into Britain is holding up in spite of the financial problems afflicting Asian companies, Derek Fatchett, the Foreign Office minister responsible for commercial promotion.

claimed yesterday. But international competition to attract available investment is likely to get harder, and the Invest in Britain Bureau (IBB) which the Foreign Office now co-manages with the Industry - is selectively it is Korea".

British and

way for deal

Plan put forward for joint

N.Ireland ministerial body

Irish pave

reinforcing promotion in Asia while boosting its efforts generally in the US. The Foreign Office is put-ting new IBB staff into Taiwan and Sydney, increasing its commercial presence in San Francisco and opening new offices in Houston

and Boston. The overall level of inquiries [from non-UK investors] is running at about the same level as 12 months ago," said Mr Fatchett in an interview. "We're not experiencing any clear downturn," he said, though he admitted that "if Department of Trade and there is an area of concern,

Lucky Goldstar's electronics expansion in south Wales still looks as though it will go ahead, but Hyundai has put its Scottish semi-conductor project on hold. However, Mr Fatchett said "our view is that big Korean companies had already their long-term commitments to the UK, and in the short term we had not expected

prior to the latest events any flood of inward investment". He was far more confident about Japan and Taiwan: "We continue to get strong interest from Taiwan which is looking for European markets." the minister said. He pointed to last month's provide good information on the market". In the separate announcements by ADI of Taiwan to make monitors in north-east England, and by area of export promotion the Foreign Office has Acer Peripherals of Taiwan make peripherals in already dispatched two bankers on short assign In line with the Foreign ments to Germany and Serbia, even though the lat-

Office's vaunted partnership with the private sector, the six new "investment-wooers" tional official credit. it is sending into the field this year are on secondment from Barclays, NatWest, BT, Coopers and Lybrand, Price Waterhouse and Lovell White Durant. Such people, Mr Fatchett suggests, are diplomats to "appraise

ter is still denied interna-

Mr Fatchett is also joining the DTI in providing "after care" for investors in the UK. Unusually for a Foreign Office minister, this has involved him recently visiting Honda and Motorola better equipped than regular plants in Swindon; south-west England.



Back at the talks: Ulster Democratic party chiefs John White (left) and Gary McMichael

By John Murray Brown The key element of the joint

British Irish paper on a pro-posed settlement for Northern Ireland is a new British-Irish agreement which envisages a ministerial body with representatives from a Northern Ireland assembly and the Irish Parliament.

The British-Irish agreement would replace the existing Anglo-Irish agreement of 1985 and encompasses four main elements. the new north-south body, an inter-governmental council linking the two Parliaments in the two islands and implementing bodies to carry out the policies agreed

by these new bodies. The document tabled yesterday at Stormont titled "propositions on heads of agreements" represents the two governments' "best judgments" on a likely deal The two-page document covers six areas - constitutional

ing assembly elected by proportional representation; the new British-Irish agreement; provisions to protect religious and civil rights; and a range of practical measures including "prisoners' security in all its aspects, policing of weapons".

The document refers to "balanced constitutional change" without mentioning the likely amendments in articles two and three of the Irish constitution which contain a territorial claim over Northern Ireland,

Instead, any change would be based on "a commitment to the principle of consent" and would cover not just the Irish constitution but British constitutional legislation.

On the assembly, the paper suggests the body would exercise devolved executive and legislative responsibility over at least Northern Ireland govern- rial council will meet twice a mental machinery would

ment departments. The document studiously avoids explicit reference to "powersharing", but makes clear there would be "provisions to ensure that all sections of community can participate and work together successfully". But the most radical element is the re-forged British-Irish agreement which is covered under four main The inter-governmental

council will include representatives of the two governments, the new Northern Ireland administration and the proposed parliaments in Scotland and Wales. the responsibilities of the six • The north-south ministe-

year at summit level and will have responsibilities in "particular areas". Each side will "consult, co-operate and take decisions" on matters of mutual interest "within the mandate of and accountable to" a new Ulster assembly and the Irish parliament. The document envisages that all decisions will be "by agreement between the two sides, north and south."

 The accord between the two governments will create new bodies to implement the policy agreed by the northsouth council "in meaningful areas and at all freland levels".

The existing intergovern-

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information

available.

the most up-to-

remain in areas not devolved to the new bodies. The document released yesterday was accompanied by a joint statement in which the two governments make clear this is a "basis for discussion". It says the document, "while in the name of the two govern-

ments, derive in a very real

sense from the views of all

The two governments say they have no problem in "clarifying matters" - referring to articles two and three of the Irish constitution and the UK Government of Ireland Act of 1920 which lays claim to Northern

purchase crosses

border

The Irish Republic's state-owned power utility is to take a stake in a Northern Ireland power company. in the first cross-border link in the utilities sector. The Electricity Supply Board has agreed to take a 15 per cent share in the Coolkeeragh power station, subject to shareholders' approval. This is the first move by a state owned company in the republic to acquire assets in Northern Ireland.

Coolkeeragh was taken over in a management buy-out at privatisation in 1992, with the management holding 60 per cent and three investors - the Prudential insurance conglomerate, the 3i venture capital group and Ulster Investment Bank - together holding 40 per cent. The link with ESB comes as part of a refinancing to allow the original investors to sell their shares in the company.

Richard Sterling, managing director of Coolkeeragh, said: "Being with a large industrial partner rather than a venture capitalist will also help us argue the case for a new gas-fired power station."

· A protest by the brother of a Northern Ireland murder victim yesterday interrupted the opening of a fresh murder appeal by British paratrooper Lee Clegg. Clegg was jailed for life for murdering 18-year-old Karen Reilly, a passenger in a stolen car that crashed through a Belfast road block in 1990. He lost two appeals but was released after serving just over two years.

Clegg is appealing against his conviction. He claims he did not shoot any of the 19 bullets fired. Roger Dillon, whose brother Seamus was shot dead last month by the outlawed auti-republican group the Loyalist Volunteer Force, outside a hotel. said: "Clegg should be locked away and never be

UK NEWS DIGEST

Gloom returns to businesses

their business outlook for the first time in two years, according to the quarterly confidence survey from the Confederation of British Industry, the biggest employers lobby. Banks were among the most gloomy sectors, reflecting a belief that their business could not continue to grow and that their industry's current health was too: good to continue. But building societies and life assurance companies were much more confident, with many expecting to increase employment over the next three months. Of the 230 companies surveyed by the CBI and Coopers & Lybrand, 25 per cent said they were less optimistic about the overall business situation in their sector than they were three months earlier, compared with 16 per cent which said they were more optimistic.

That negative balance of 9 points compared with a zero balance three months ago and a positive balance of 61 points a year earlier. Sudhir Junankar, CBI associate director of economic analysis, said: "Expectations are the George Graham least positive since mid 1995.

THE ECONOMY

Retail sales increase 4.8%

Manufacturing output

tium reports today that the value of retail sales in December was 4.8 per cent up on a year before, wellabove the 2.7 per cent growth recorded in the previous three months. Retailers reported a month of two halves, with November's subdued trading conditions continuing well into December. Spending finally surged in the four days before Christmas as shoppers left gift purchases until the last minute. Meanwhile, official figures showed an unexpectedly

The British Retail Consor-

11.37

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Charles Bakking

MER COLA SPECT

STATE ADMIN

Operational Description

sharp drop in November's factory output, illustrating the impact of sterling's strength on export demand. Factory output fell by a seasonally adjusted 0.4 per cent in Nover ber, according to the Office for National Statistics. The underlying trend shows growth of only 0.5 per cent a year, half the figure estimated last month. Robert Chote

COMMERCIAL VEHICLES

Union urges aid for van venture

The Transport and General Workers' Union yesterday called on the government to approve aid required to underpin a joint venture by Daewoo, the South Koreanvehicles group, and LDV, the UK vanmaker, for a new generation of commercial vehicles. An advisory board in the government's trade and industry department will meet on Thursday to give its views on the company's request for about £40m (\$65.2m) in state aid.

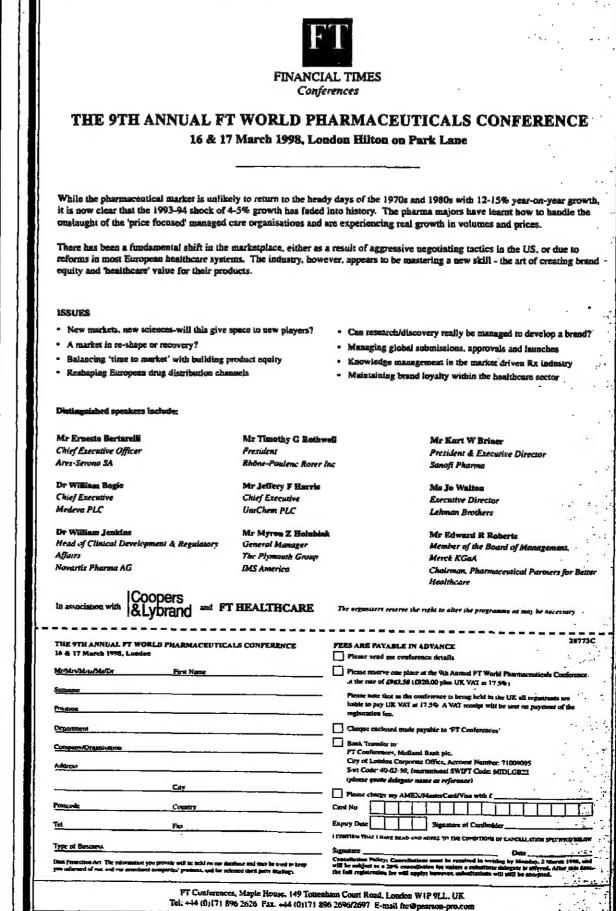
The deal, which involves about £250m of new investment at LDV's plant, is believed to be contingent on aid to triple output and double employment in an initial phase. Haig Simonian

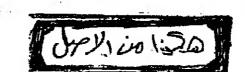
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pen hon sie dezbeiately trying to be on time for that allimportant business lunch, getting across town can be a nightmare - every set of traffic lights goes red the moment you The sea become possible and the season of the control of the contr

In the few seconds it takes to change to green, have you ever pondered how much it costs to run and maintain these traffic signals? After all, they operate continuously and must be bright enough to be seen on a sunny day.

- Most traffic lights are tungsten halogen lamps and have to be replaced every six months. Dogan Ibrahim and Mark Beasley of the Traffic Control Systems Unit in London estimate that the total running cost for traffic lights in the capital alone is £1.45m a year.

The US, Sweden and Japan have already started to replace some traffic signals with units containing light emitting diodes, LEDs. A typical red traffic light uses 50W of electrical power, whereas the same size LED traffic light, consisting of several hundred LEDs grouped together, consumes less than 14W at the same brightness level. Also, the LET's last nearly 10 years, which significantly reduces mainte-

name costs.
Dalight, part of the UK's Rox-bors specialist electronics group, males LED products for traffic lights which are already operating in several cities across the US The company is eagerly awiiting a contract to replace all thered signals in Brooklyn, New York. "I believe very strongly that the solid state traffic light will develop into a worldwide maket, says Harry Tee, Rox-

efore any trials can be carried

Green light for LEDs signalled

Solid state traffic lights may develop a market worldwide, writes Carol Kiely

units have to meet government charged "holes", whereas the in this area three years later. and safety. The Highways Agency says it is putting the final touches to a standard which incorporates these new technolo-

initial trials will be carried out in the Bristol area. "An experimental site has been proposed at the end of the M32," says John Laite from the Traffic Control User Group, made up of UK city council transport experts.
Light emitting diodes are not a

new idea. The first LEDs were demonstrated in the 1960s and they are widely used in flat-panel displays. They consist of two very thin layers of a semiconducting material, such as gallium arsenide, on an insulating sup-

For a gallium arsenide device, one of these layers contains a few parts per million of aluminium, the other, indium. These significantly increase the amount of current that can pass through the layer, and also govern the type of charge carrier responsible for the current flow.

The laver containing aluminium is termed a "p-type" semiconductor in which the charge out in the UK, however, these carriers are essentially positively

specifications concerning colour layer containing the indium conelectrons in one layer combine with holes in the other to productor used.

Until recently, most commercially available LEDs have been based on aluminium-indiumgallium-arsenide. These emit red light. Orange and yellow can be produced by replacing the arsenic with phosphorus.

The first blue LED was made in 1971, using gallium nitride as the semiconductor. The inventor, Jacques Pankove, worked at the RCA Laboratories in Princeton, New Jersey. The structure of his LED was slightly different from con-ventional devices because he found it impossible to make "p-type" gallium nitride. Unfortunately this modified LED was unstable.

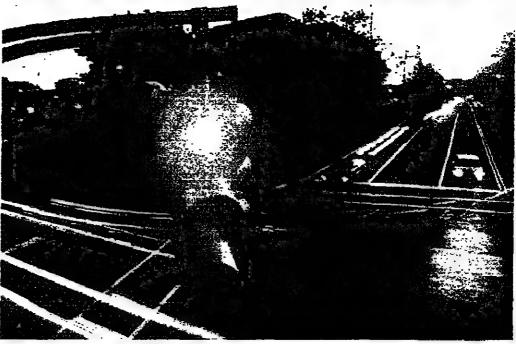
In addition, the only suitable support for the device was sapphire, which the head of the laboratory said was too expensive. Pankove abandoned his research

Since then several companies tains excess electrons and is have tried to make their own called an "n-type" semiconduc- blue LEDs. The biggest names in tor. When current is applied, the the electronics industry soon dis-

missed the idea of using gallium nutride, because of the difficulties duce light whose wavelength is in making the "p-type" material, specific to the type of semicon- and focussed attention on zinc selenide and silicon carbide. In spite of the enormous amount of research effort and funding put into their development, devices made from these materials lack sufficient brightness and their working lifetimes remain too low for commercialisation.

But in 1994 Shuji Nakamura of Japan's Nichia Chemical Industrics stunned the world of materials research by demonstrating the first commercially available, bright blue LED made from gallium nitride.

The thin layers of gallium nitride that make up this new LED were grown by metal organic chemical vanour deposition. This is a technique in which two gases - trimethylgaillium and ammonia - are passed over a heated sapphire wafer. The high temperature, in excess of 1,000 °C, causes these gases to decompose, allowing the gallium and nitrogen to interact chemically and



The US, Sweden and Japan are introducing traffic signals with LEDs, such as this Roxboro unit in New Jersey

form gallium nitride on the surface of the wafer.

A common practice during processing was to anneal (toughen by heating) these wafers at high temperature subsequently in an atmosphere of ammonia. Unfortunately, above 500°C ammunia releases atomic hydrogen which fill the holes in "p-type" gallium nitride - significantly reducing its electrical conductivity. Mr Nakamura solved this problem by switching the ammonia for nitrogen during annealing. The ability to grow high-quality "p-type" gallium nitride enabled him to develop a blue LED which was more than 100 times brighter than any previously available.

By 1995, Nichia was producing

the gallium atoms were replaced by indium. This device produced a much deeper green light, 100 Japanese city of Fukuoka has 100 green traffic lights incorporating these new LEDs.

for the first time designers could make full colour displays blending the three primary colours red, green and blue - to produce white light. Such displays are now becoming a prominent feature of the Tokyo skyline. In October last year, Nichia

announced it was ready to begin a green LED in which some of a phosphor to produce white num tubes with transistors".

light. This is much simpler than trying to balance the output from three separate LEDs. This combitimes more intense than rival nation has also been used to progallium phosphide LEDs. The duce a flat panel to replace conventional strip lighting.

This could have a serious impact on one of the oldest and The development meant that most successful industries - the manufacture of the incandescent light bulb - but could yield substantial economic and environmental benefits.

Indeed, Gerhard Fasol, president of Eurotechnology Japan KK, a high-technology business development group, told Science magazine readers that "replacing production of a highly efficient light bulbs and fluorescent tubes white LED lamp for domestic with LEDs is analogous to the use, it combines a blue LED with replacement of electronic vac-



tion: the bearing is intended for installation on a floating storage vesse

New bearing on oil production

Hoesch has made the world's largest one-piece antifriction device

s things get bigger, so do their components. The ∠ world's largest one-piece

∠ world's l antifriction bearing has been produced by Germany's Hoesch Rothe Erde, a division of Krupp Hoesch Industries.

It measures 8m in diameter, weighs 32 tonnes and took the company six months to make, including special tempering in the company's own heat-treatment facilities.

The bearing is intended for installation on a floating production storage offloading FPSO) vessel. These are

becoming more common for oil production as they have the big advantage of mobility over

rigs.
"The only problem during manufacturing of this bearing was how to handle these rings due to the size," says Norbert Steinau, the company's sales and export manager.

"Although this is the biggest bearing, we have produced a lot of bearings with similar sizes, especially for tunnelling machines and for the offshore industry.

For non-segmented bearings

we are limited to 8m," says Mr Steinan. "If larger diameters are required, we can fall back on the segmented bearing design."

The ship – being built under

the management of a consortium comprising SBM and Kvaerner Oil and Gas - is to start operations in early 1999 in the Laminaria oii field, some 550km

off the north Australian coast. It will be anchored there permanently, pumping oil from seven deposits at a depth of around 380m and storing it until

transfer to oil tankers. It will

have a capacity of 1.4m barrels

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number of risers, or pipes

through which the oil will flow. The risers and umbilicals are guided by the antifriction bearing, which is sealed off against seawater. This allows the vessel to turn on its own axis without drifting out of position

whatever the weather or tidal

William Macdonald

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date of the judgment or to those

However, such a limitation

concerned only the kinds of dis-

crimination which employers

and pension schemes could rea-

sonably have considered to be

There was no such limitation

in relation to the right to join

an occupational scheme since it

had long been clear that sex dis-

crimination was contrary to the

principle of equal treatment in

As part-time workers were

excluded from access to the spe-

cial scheme, no limitation in

time for the purposes of calcu-

lating periods of service was

to rely on periods of service as

from April 8 1976, the date

which the Court first held the

principle of equal treatment

could be relied on by

individuals in their national

In view of its answer to the

first question, the Court dealt

briefly with the two-year limita-

tion on the backdating of enti-

tlement to join an occupational

Recognition of entitlement to

full membership of a scheme

through acquisition of mental

health officer status was limited

to a period two years prior to

commencement of proceedings.

applicants of additional benefits

under the scheme to which they

were entitled to be affiliated

any action by the applicants

relying on European law rights

to obtain these additional bene-

fits would be impossible in

the very essence of the rights

conferred by European law.

Thus the national rule would

C-246/96 Magorrian and Cun-

ningham v Eastern Health and

Social Services Board, Depart-

ment of Health and Social Ser-

vices, ECJ 6CH, December 11

BRICK COURT CHAMBERS.

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have to be set aside.

Such a limitation struck at

Since that rule deprived the

pension scheme.

The applicants were entitled

ings before that date.

permissible.

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riods of service ment applied to contracted-out completed by schemes, it had limited its effect part-time workers to benefits payable after the who have suffered indirect sex discrimination EUROPEAN must be taken into account from - April 8 1976 for

the purposes of calculating additional pension benefits, the European Court of Justice ruled

The Court said European law precluded the application to a claim for recognition of entitlement to join an occupational pension scheme of a national law which limits entitlement to join the scheme to two years prior to the commencement of proceedings.

Two Northern Irish nurses working in the public mental health sector had initially worked on a full-time basis before commencing part-time work. On retirement they were offered a basic retirement pension through a voluntary contracted-out scheme.

However, they did not receive certain additional pension benefits reserved for people over 50 who had worked full time as mental health officers for 20 vears and continued to work in that capacity.

Service beyond that period counted as double-time service and gave rise to entitlement to a pension at 55 instead of 60.

in effect, part-timers were deprived of the status of mental health officer and the additional benefits attached to it. The national tribunal ruled that these provisions were found to constitute unjustified sex discrimination against women working part time in the care of the mentally ill.

The tribunal asked the Court from what date the service of the applicants should be counted for the purposes of calculating the additional benefits to which they were entitled.

The issue was complicated by the fact that national law restricted backdating of entitlement to join an occupational scheme to a period of two years prior to commencement of a

The Court noted that although it had previously decided in the 1990 Barber case that the principle of equal treat-

o the outside world, last year's £23bn (\$37.49bn) merger between Grand Metropolitan and Guinness was put together in record Formally announced on May

12, just five weeks after George Bull, GrandMet chairman, put the idea to Tony Greener, Guinness chairman, over dinner at Dukes Hotel in London, within six months the merged company. called Diageo, had cleared regulatory hurdles in Europe and the US and begun trading on the stock exchange, having overcome opposition from its biggest shareholder, LVMH, along the way.

But the reality was different. Diageo was the product of several years of secret planning and preparation by a team at Guin-ness led by Ken Mildwaters, group legal director.

In January 1994, Mr Mildwaters, who had been brought in from Theodore Goddard, the City law firm, to manage the restructuring of the Guinness/LVMH alliance, was given five years to come up with a deal to take Guinness' business into the 21st century. He completed the deal in under four years, by building the world's first "virtual" law firm.

"At the end of 1993 the spirits industry was crying out for consolidation and it had also started to slow down. So the question for Guinness was what to do about it. Guinness had 70 per cent of its business in spirits and it was slowing down

"We decided that if there was going to be consolidation Guinness had to be part of it and preferably it had to lead it. But if we weren't going to drive it and it was going to take place without us, we had to know how to react. So we created a virtual law firm to look at it," he says.

There were two reasons for this approach rather than appointing one law firm. Guinness needed to keep the various bits of work it was doing confidential and if it placed them all with one firm it would have become clear what it was up to. The second reason was that Mr Mildwaters felt that no one firm had all the expertise Guinness needed.

So he indulged in his own game of fantasy law firms, putting together the best team of experts he could from firms which were not conflicted out.

"We had a very strict rule on conflicts - if you had acted for one of our competitors in the last three years, you were out," he "That ruled out some very says. good people."

Mr Mildwaters led a team of seven lawyers. For lead corporate two young lawyers, Angela Moradviser he chose a team from gan and Simon Griffiths, who at Norton Rose led by David Lewis. that stage were not partners.

Success by stealth

Years of secret planning enabled the speedy merger of GrandMet and Guinness, says Robert Rice



Special brew: Bull's proposal to Greener (left) fitted in with Guinness's long-term plans

As US corporate counsel he chose New York's Dewey Ballantine. led by Morton Pierce. For EU competition counsel he chose SJ Berwin, led by Stephen Kon and supported by barristers Jeremy Leaver QC and Richard Fowler QC. For US competition counsel he chose Ron Rolfe of York's Cravath Swaine & Moore. French law counsel was Klein Goddard, sister firm to Theodore Goddard. For employment law he chose Peter Cooke at Theodore Goddard. For banking law advice, Lovell White Durrant led by Jonethan Gay. Worldwide litigation

and arbitration counsel was Dewey Ballantine, led by Monica Burch and supported by barristers Geoffrey Vos QC and Johnny Veeder QC. For employee share schemes he chose Travers Smith Braithwaite and Paisner & Co. and for commercial document review Theodore Goddard, Klein Goddard and Dewey Ballantine. But Guinness also needed a law firm to manage the project.

"We decided if we were going to do a transaction we were going to do it ourselves. There were no lawyers at the table at any stage. We drove it ourselves and didn't let the law firms run it. So we needed a team of lawyers to feed

us and act as lead legal advisers." Unsurprisingly, perhaps, Mr Mildwaters chose Theodore Goddard to play the pivotal role. But he pulled a surprise by choosing

"The point was they knew what I wanted. They'd worked with me before and so they could go back to the law firms and say sorry we don't want it in that form," he says. They were supported by Richard Sykes QC, William Stubbs QC and Robin Potts

The project began with an analysis of the industry "from top to bottom". That work was done by SJ Berwin and when it was finished they had collected 16,000 lever arch files of information, which they housed on one complete floor of a City office block. "By the and we could tell you how many bottles of port were sold in Iceland in each outlet. where those outlets were, whose port it was and at what price."

The next step was to build models for every conceivable transaction, from merger, takeover and joint venture to scheme of arrangement. Documentation was put together for each one of these options for each of its main competitors down to number eight by size in the world.

They then set about working out their response if they were public and the rest is history. not leading the consolidation, and built the documentation to deal with that, "so that if Allied Domecq merged with GrandMet we'd know how we would react".

One of the techniques they used to great effect throughout the project was interloper analysis. This involved asking lawyers to play devil's advocate and put themselves in the role of competiSJ Berwin originally played the role of the European Commission and was asked to say how the Commission would respond to the various different models.

Herbert Smith was brought in to play the role of interloper. "We asked one firm to look at the way we would deal with an interloper [someone trying to stop a deal] and then brought in Herbert Smith and asked them: 'If this is what we are going to do, what are you going to do to us?" The same technique was used to analyse the litigation risks of the various models in 30 jurisdictions around the world.

By the beginning of 1997 they were more than ready. The clear preference was for a true merger, but until Mr Bull popped the question to Mr Greener, the virtual law firm had no idea who the bride would be or even if there would be a wedding.

Late on Friday April 18, just as he was about to go on holiday. Mr Mildwaters was summoned to a meeting at Lazerds to be told it was GrandMet. Less than four weeks later they were ready to go

There were some hurdles to overcome, "The biggest problem was getting all the egos in one place and making them see we wanted it done our way. Inevitably there were some who dropped out, but it never leaked, because no one ever had the full picture. One firm didn't know what another was doing."

The transaction remained tor or regulator. Mr Kon of secret right to the last. Until the they weren't at the table."

weekend before it was formally announced only a handful of Met knew what was going on On Friday May 9, they threw a cock-tail party for 120 people at SJ Berwin's offices. When the "guests" arrived they were told they had 48 hours to prepare to tell the world.

FINANCIAL TIMES TUESDAY JANUARY 13 1998

Did it pan out just as planned? There was a lot of concern inside Guinness that we were sitting around while there was:this huge deal to be done. We sat there, calm, with all the work done and people kept saying why aren't we doing anything? Have we done enough? Shouldn't we be doing more?" he says.

The reaction from GrandMet's advisers was refreshing. "The difficulty was, how do you explain to the other side you have a building full of documents ready to go? But GrandMet accepted the work we'd done. We said: Why not kick off with these drafts?' and they said: 'Great, that'll save us weeks.'

Mr Mildwaters says European and US regulators behaved much as expected. The only real surprise was the concept of "portfolio power" raised by the European Commission in relation to Greece. "Greece was always going to be a problem as we had significant brand concentration there, but the concept of pottfolio power was new to us ard we hadn't anticipated it."

He says they ended up in Europe largely where they expec-ted, except in Ireland where they had not foreseen that they would have to relinquish so much distribution power. In the US, too the result was much as expected. Losing Dewar's, the premium Scotch whisky, was "withir the. range of options we'd identified". he says.

"Ron Rolfe [Cravath] had onrectly picked it as a candilate (for divestment) back in 1994 But there was another step we walld have been prepared to ake before the deal collapsed. Sowe ended up in the US slightly beter than our worst analysis. Wallt (losing Dewar's) a surprise to GrandMet? I don't know."

Was it an expensive way tedo a deal? "Yes and no. It ats expensive when nothing was hepening, but once the button the pushed it was very cheap. Insted of lots of people scrabbling around doing work which mayor may not be required, it's Il there. Plus, you've got all he data for the company to use a

"The message about the virtuit law firm is; think about it. It me. not be right for all deals. A lot d law firms found it very hard the.

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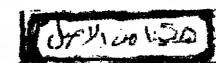
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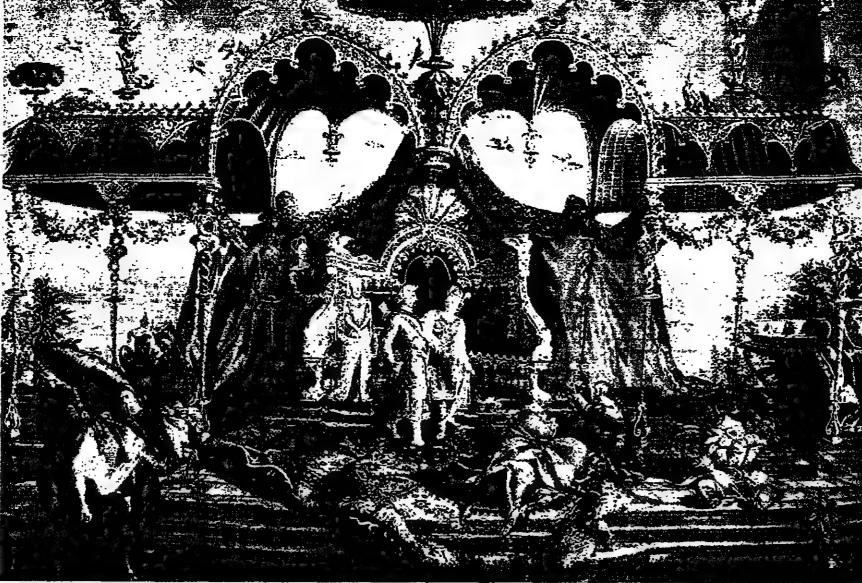
The teaching ton (see the course of the cour Barring the way are the security men from the inland Revenge, which has its offices here. advisors was reflecting a to the other side to the other side to the country of t The grand, open central courtvard, the heart of Sir William Chambers' design, is ignominiously used as a car park. Somehow, even the arrival of the glorious collections of the Courtauld institute into the north wing on the Strand in 1990, inhabiting the elegant spaces originally created for the Royal Academy of Arts. failed to lift the institutional gloom shrouding the place.

Soon, however, the cars and the gloom - but not all the civil servants - are to be banished for good. In November, the government handed over the lease of the whole building to Somerset House Ltd, a charity established to restore, conserve and find appropriate new uses for the historic buildings (the south wing, in the first instance) and to establish Somerset House as a major public amenity, combining art collections, open-air concerts in the great court and, say, a restaurant and café on the terrace. Somerset House will be opened up to become a thoroughfare once more, helping to link Bloomsbury, Covent Gerden and theatre-land to the north with the South Bank, probably by way of a footbridge.

The catalyst for the launch of the project was the unexpected gift to the British nation by an 84 year-old English-born American citizen, Arthur Gilbert, of his outstanding collections of English and continental silver, gold boxes, micro-mossics and dure, previously on loan to the Los Angeles County Museum and valued at around 275m - a gift dependent on the government providing a suitable venue for their display.

Lord Rothschild, as chairman of the Heritage Lottery Fund, moved swiftly to secure the col-lection by way of a £18.5m grant awarded by the fund's trustees for the installation of the collection in the dramatic, Piranesian vaulted chambers beneath the terrace. A further \$10m was awarded to the newly assembled Somersat House Trust to part fund the development of the north wing. Little did Gilbert realise that along with his works of art he was also providing the key to unlock the mustlest of pal-

we are to find when the doors on gods and putti, shells, acrolls and the Gilbert Collection open at the flowers in end of 1999 or sarry 2000, is a rounds.



The King of China after the Hunt': scene from a Beauvals Tapestry, part of the Luton Hoo collection currently on show at Christie's

Gifts pavilioned in splendour

Susan Moore on three collections which should follow the Courtauld into Somerset House

choice group of some 40 pieces on stop on a national tour. Heritage Regained: Silver from the Gilbert Collection focuses on examples of, and silver-glit which have English provenances, many of which were only allowed to leave the country when it proved impossible to raise the funds to keep them here.

the flamboyant and the monumental. Many of the exhibits, most notably the magnificent helmet-shaped silver ewer and massive dish with the mark of Paul de Lamerie 17442-43, is best described as sculpture in silver. These bravura pieces are richly Whetting our appetite for what ornamented with cast and chased

and rock-crystal cup and cover given by the Duke of Wellington to his god-daughter, and a pleaspredominantly, English silver ing double cup made in Nuremberg around 1600 and formerly in the collection of the Earls Spencar. One of the latest, is the substantial silver-gilt monteith, or wine-glass cooler, of 1820-21 supplied to the Duke of York and The display is spectacular wit-ness to Gilbert's preference for the scenes. In all, the collection, which is particularly strong in English rococo and Regency silver, is as exalted in quality and

> in the world. The Christie's show is a celebration of the Gilbert gift. It also serves up an implicit plea for installing two other world-class collections above it in the south wing, after the Lord Chancellor's

ments of the haunting of young Miles and Flora, and of their gov-

erness's response to it, are power-

fully conveyed. However, despite

alternating Edward Laurie and

Lorna McDevitt on stage with a

young boy and girl, Pope does

not convey enough of the chil-

dren's innocent charm to bring

out the full horrific contrast with

their corrupted state. Likewise,

Lise Stevenson as the governess

handles Victorian repression

well, but when it boils over she

resorts too often to a half-gasp,

Theatre/Ian Shuttleworth

Cold, corrupt and capricious

as encyclopaedic in range as any

show at Christie's as the first the refined Elizabethan silver-gilt pot pourri of treasures, drawn from the now homeless Wernher Collection, formed in Victorian London and until recently housed at Luton Hoc.

Amassed by diamond baron Sir Julius Wernher, it is a remarkcollection of Old Master paintings and works of art, embracing medieval ivories and Limoges enamels. Renaissance bronzes. goldsmiths' work and majolica. and French 18th-century decorative arts. It is hard to imagine a group of objects more complementary to those destined for, and already at, Somerset House, or more appropriate to the scale of these interiors.

The third contender for space 18th-century panelled rooms of is the Courtauld itself. In the north wing there is room to display only 190 out of its 530 paintdepartment moves out in May, ings, and almost none of its Old trustees of the Luton Hoo Charl- and Cardiff.

still present in sufficient force to
make this a more than worthTrevyn McDowell, whilst Bene-

After putting Rupert Everett ray Melvin to cheat Jack Klaff

the same for David Foxxe in a veers from breathless magnifi-

into a frock at Hammersmith last out of a wealthy bride.

art. This show focuses on its 18th-century British boldings (the galleries are currently closed until the autumn for the installation of new air-conditioning, a project again part funded by the lottery). The ideal candidates for the south wing, however, are the works of art acquired notably through the bequest of another 19th-century collection, that of Thomas Gambier Parry. This, too, includes Italian primitives, ivories, enamels, maiolica and glass. Lining the walls would be the masterpieces of impressionist and post-Impressionist art that formed part of the original Courtauld bequest and which sit

the north wing. It is, in principal, the wish of Somerset House Ltd and the

dick Bates enlists the aid of Mur-

The tone, as often with Prowse,

one hand, Hicks and McDowell

conduct a wonderful courtship of

silent glances, whilst on the

be cozened by Bates seem like

the Restoration forebears of the

rednecks from the movie Deliver-

rather unhappily on the grand

Among the earliest pieces is Here, too, is another exceptional Master drawings and works of table Foundation (London University, custodians of the Courtauld Galleries, has yet to express a view) to establish the Wernher and Courtauld collections in the south wing of this river-side palace.

What is lacking is the funds to realise the project. A further lottery application will be made but the begging bowl may well be rattled in vain, given that the fund has already given more, in various ways, to Somerset House than to any other project. Could another modern-day Maecenas please step forward?

Somerset House: the Gilbert, Courtauld and Wernher Collections continues at Christie's, 8 King Street, London SW1, until February 3. The Gilbert Collection travels on to Glasgow, Manchester, York, Birmingham, Le

I have ever heard able to forge a coherent delivery out of all those affectedly mutated period vowels, so that the word "Lard!" comes to seem a quite plausible expletive. McDowell peddles a marvellous line in lasciviously sarcastic delivery, and Melvin leaves no doubt as to which side his raddled old matchmaker dresses on.

so to speak. Vanbrugh clearly loses the remotest interest in even making a feeble show of resolving what is supposedly his major plot strand; cence to raucous panto; on the however, Prowse's directorial boisterousness does its best to disguise the rudderlessness of the final phase, and makes the most other, the rural worthies about to of the outrageous possibilities afforded elsewhere in the play.

> All shows at the Citizens Theatre, Glasgow, until January 31 (0141 429 0022).

Concert

Haitink bonds with the LS₀

ernard Haitink is such au established figure in British musical life that it came as a surprise to discover that Sunday's Barbican concert was his debut with the ondon Symphony Orchestra. The two reacted like a pair of old romantics on a first date instant affection and mutual respect, with the promise of deepening friendship. The LSO's management is certainly banking on it: in addition to two further concerts this week (tomorrow and Thursday), Haitink has been booked for a Mozart/Strauss series in June and a tour to Munich and

Given the proven qualities on either side, this first programme pairing Haydn's Symphony No. 86 with Bruckner's Seventh aroused great expectations, most of which were met. The LSO brought dashing élan to the Haydn, muscle and tonal refinement to the Bruckner. Haitink's conducting was discreet, patient, sincere. In terms of structure and balance, each symphony was flawlessly laid out. There was more than a suspicion, however, that the Haitink/LSO partnership is civilised to a fault. This first date was respectable, not to say highly enjoyable, but it was not an artistic coup de foudre.

hat may be in the nature of Haitink's Apollonian personality: instead of Dionysian intensity, he offers form and content in perfect proportion – an important quality in two such classical symphonies. But just as it guarantees an absence of vulgarity, it also suggests a reluctance to dig into the guts of the music. That was the impression left by the Haydn one of his big-boned Paris symphonies. The performanc emphasised its Elysian spirit, its pleasing shapeliness - but it was all a mite too benign: there were no middle voices, no shakes or shocks, no burning fire.

The Havdn turned out to be a dry run for Bruckner's Seventh. iong recognised as a key work in Haitink's interpretative armoury. Observing his command of tempo and architecture at first hand offered special pleasure, partly because his gestures are so gently ourposeful. There was much to admire in the serene singing lines of the first movement, in the tapering of sound in the code of the second, in the rhythmic consistency of the Scherzo and the glowing restraint of the brass in the finale. Despite some signs of failing

concentration towards the end, the LSO re-stated its claim to be a Bruckner orchestra on a par with its finest continental counterparts. I could not help feeling, however, that it had all been too even-tempered particularly at the heart of the Adagio, where Haitink's unflinching legato denied the welling tide of strings its monumental impact. Only once did the heavens open, at the blazing climax to the movement a brief glimpse of the musical paradise to which every performance of this work

Andrew Clark

uppressed libidos aplenty feature in the year's first they 17th-century plays, Victorian or lodged in present-day

that Robert David MacDonald's production of his own play, The Ice House, in the theatre's Stalls Studio, never catches light. The building of the title - a pyrami-dal structure glimpsed from the window of the plush apartment to which the action takes place at once symbolises the froideur in the lives of unsympathetic art historian Bryan (Derwent Watson) and his wife Helier (Andrea Hart with a Dietrich accent), and stands for the strange and exotic which lies outwith their normal

New secretary Rod (Flenry Ian

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Hausbuch and its Master.

Drawings, prints and a panel

batch of shows at Glasgow's Citizens Theatre, be No pun is intended in saying

Cusick, his penetrating gaze Screw. The unsaid, shadowy ele- nagging, intimate disquiet are quez (who is herself woodd by accentuated by brazenly applied kohl) occupies a status some-

his lessons. Ideas are bandied about concerning the aesthetics of both art and life, but the piece feels more like a dramatic five-finger exercise than a play. Upstairs, Jon Pope revisits his

lamented Shadow Syndicate of Henry James's The Turn Of The Berlin Philharmonic Orchestra: conducted by Nikolaus

where between those of Orton's

Mr Sloane and Dennis Potter's

devilish Martin: he tempts.

humiliates and provokes husband

and wife alike, until they coldly

show how well they have learned

1988 adaptation for the late,

Deutsche Oper Tel: 49-30-34384-01 Deutsche Oper Ballet: Rosalinde, choreographed by Ronald Hynd to music by J. Strauss; Jan 15

OPERA

Lyric Opera of Chicago Tel: 1-312-332 2244 www.lyricopera.org Amistad: Anthony Davis's new work about the 19th century anti-slavery campaign, Dennis Russell Davies conducts a production by George C. Woolfe;

which has been taken apart for restoration; ends on Sunday

Queen Elizabeth Hall Tel: 44-171-928 8800 Clarinet Concerto, with soloist Michael Collins; Jan 19

DANCE Royal Festival Hall American tour of selected objects from the V&A's collection; ends Tel: 44-171-928 8800 ' 13, 14, 15, 16, 17

BERLIN EXHIBITIONS CONCERTS National Gallery Philharmonie Tel: 44-171-839 3321 Tel: 49-30-2548 8354

Hamoncourt in works by Beethoven, Jan 16, 17, 18

■ CHICAGO

ends on Sunday Shaftesbury Theatre Tel: 44-171-379 5399 **LONDON**

CONCERTS

London Sinfonietta: Elliott Carterat 90. Oliver Knussen conducts a programme of works by Carter, including the UK premiere of his

The Royal Ballet: Cinderella; Jan

EXHIBITIONS Recognising Van Eyck: bringing

together several rare works by the 15th century Netherlandish master alongside other works; from Jan 14 to Mar 15

Tel: 44-171-887 8000 The Turner Prize 1997: display of works by each of the nominees on this year's all-woman shortlist; ands on Sunday

Victoria and Albert Museum Tel: 44-171-938 8500 Carl and Karin Larsson: Creators of the Swedish Style. Recreates five rooms of the famous house at Sundborn, and examines its extraordinary impact on the interior design of our century;

The Royal Opera: Le nozze di Figaro, by Mozart. Conducted by Charles Mackerras, with designs by Peter Pabst; Jan 19

■ LOS ANGELES OPERA ... L.A. Opera, Dorothy Chandles

Pavillon Tel: 1-213-972 8001 www.laopera.org Salome: by R. Strauss. Revival of Sir Peter Half's celebrated production. Conducted by Richard Hickox, with Hildegard Behrens in the title role; Jan 15, 18

MADRID

Fundació "la Caixa" Tel: 34-1-435 4833 1898, Fin de Siècle Spain: Daily Life. Historical exhibition designed to reconstruct a picture last century; from Jan 13 to Mar

MILAN

while hour and a half.

autumn, Philip Prowse now does

minor role as a bustling nurse in

his production of Vanbrugh's The

Relapse, or Virtue in Danger (Prowse uses the full title). A co-

production with Thelma Holt.

and bound after this run for a

national tour, the show boasts a

generous crop of prominent

half-shriek. Nevertheless, the names thus, Greg Hicks forsakes ance, only without the banjo Syndicate's former trademarks of marital bliss with Yolanda Vaz-skills. Jack Klaff is the only actor

OPERA Teatro alla Scala Tel: 39-2-88791 Il Cappello di Paglia di Firenze: by Rota. Conducted by Bruno Campanella in a staging by Pier Luigi Pizzi; Jan 15, 16, 17

■ MUNICH

EXHIBITIONS Haus der Kunst Elisworth Kelly: retrospective of the American abstract painter and sculptor, b. 1923, now in his 70s and one of the most distinguished living artists; ends on Sunday

 Juliao Sarmento: display of recent works by the Portuguese painter: ends on Sunday

NEW YORK DANCE

New York City Ballet, New York State Theater Tel: 1-212-870 5570 Jewels: by Balanchine, to music by Fauré, Stravinsky and Tchalkovsky, Jan 14, 17

Whitney Museum of American Tel: 1-212-3272801

 The Warhol Look/Glamour Style Fashion: major retrospective of around 500 works of art, following Warhol's career from the 1940s to the 1980s, and also including works by his contemporaries; ends on

Sunday

Fashion and Film: running concurrently with the Warhol show, this film and video series traces the relationship between the two industries, from early tashion newsreels and the studio designers of the 1930s to the present: ends on Sunday

OPERA Metropolitan Opera, Lincoln Contec Tel: 1-212-362 6000

www.metopera.org
Capriccio: by R. Strauss. New production by John Cox, with sets by Mauro Pagano; Jan 16 La Cenerentola: by Rossini. New production conducted by James Levine in a staging by

Cesare Lievi, with designs by

Maurizio Balo; Jan 15 • The Rake's Progress: by Stravinsky. New production by Jonathan Miller, conducted by James Levine. Cast includes Dawn Upshaw and Samuel Ramey; Jan 13, 17

PARIS **CONCERTS**

Théâtre des Champs Elysées Tel: 33-1-4952 5050 Vienna Philharmonic Orchestra: conducted by Lorin Maazel in works by Schubert, Maazel and Ravel. With flute soloist Wolfgang Schulz: Jan 14

EXHIBITIONS Musée Camavalet Tel: 33-1-4272 2112 Paris and the Parislans in the time of Louis IV: more than 300 engravings, which together

create a vivid impression of 17th

century Paris; ends on Sunday

Musée du Louvre Tel: 33-1-4020 5151 www.louvre.fr Pajou, sculpteur du Roi: first retrospective devoted to works by the French sculptor (1730-1809), successful in the French Royal Academy of Painting and Sculpture and a favourite of Louis XV and Louis XVI: to Jan 19

SAN FRANCISCO

OPERA San Francisco Opera, War Memorial Opera House Tel: 1-415-864 3330 www.sfopera.com

 Le Nozze de Figaro: by Mozart. Conducted by Ivor Bolton in a staging by Graziella Sciutti: Jan 14, 17 Tosca: by Puccini. Conducted

by Maurizio Barbacini in a staging by Lotfi Mansourl. Georgina Lukacs sings the title role; Jan 13, 16, 18

VIENNA EXHIBITIONS Jüdisches Museum Tel: 43-1-535 0431 www.jmw.at Max Liebermann: selection of

paintings by the German Impressionist dating from the period 1900-1918, during which the Jewish haute bourgeoisie flourished. The display also collected by Liebermann; ends on Sunday

ZURICH EXHIBITIONS Kunsthaus Zurich Tel: 41-1-251 6765

Arnold Böcklin, Giorgio de Chirico, Max Ernst: Voyage into the Unknown, comprising 130 paintings, collages and sketches; ends on Sunday

TV AND RADIO WORLD SERVICE BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

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At 08:20 Mark Gay of FTTV reports live from LIFFE as the London market opens.

the interaction between has outlined the logic of

fits system impose

because of basic, linked

changes in work, welfare

Even though the UK's

ratio of employment to the

working age population, at

70 per cent, is higher than

in the European Union as a

whole (only 60 per cent),

many people of working age

are still unable to support

themselves. One explana-

tion is that unemployment

is almost twice as high as it.

was 20 years ago, when the

economy was at a similar

stage of the economic cycle.

As the UK Treasury noted

in an illuminating paper

last November, this rise in unemployment "is largely

explained by increases in

the duration of unemploy-

ment, rather than the num-

bers who become unem-

In addition to persistently

and the family.

Martin Wolf

A radical route to work

To put everyone to work and break the dependence on welfare, the UK government should consider the introduction of wage subsidies

high unemployment - by employment. In 1993, 20 per postwar UK standards - cent of British households believes in the virpostwar UK standards tues of honest toil. Work is not increases in the variation among wages: between 1977 just good in itself: it is also the means to alleviate the plight of the socially of male and female earners excluded - or so the UK increase in real earnings; chancellor hopes. But how far it is possible to solve the over the same period, the country's most intractable lowest decile of men earned social problems by putting only 10 per cent more. everyone to work? The though for women the rise was 35 per cept. answer is that such an Declining employment achievement would be a big and earnings opportunities help - but only if the government is prepared to think more radically than it for unskilled men are the has done so far about

causes of the next problem facing the chancellor in his changes in the labour market and the disincentives to aim of getting everyone into work: the shift towards work that the tax and benelone-parenthood. More than To understand why, begin a fifth of all families with with New Labour's own dependent children are now starting point: that ableheaded by a single parent. But lone parents can be ecobodied (and able- minded) adults should maintain nomically self-sufficient themselves by their own only if they earn enough to pay the market wage for efforts rather than by a compulsory levy on the toil of others (that is, through childcare or obtain adequate funds from the absent partaxes). Many will share this ents. Only 40 per cent of view. The trouble is that lone parents work. Facing a however right the principle dearth of good potential partners, most end up marmay be, in fact income from employment no longer proried to the state. vides an independent livelihood for all adults. This is

just lone parents into idleness or, at best, fitful

Does work pay?

Lone parent,

1.0

How much better off are people in work than out of work?"

there have been large had nobody working. That was a higher proportion than in France, Germany and 1996 the top 10 per cent and the Netherlands, let alone the US; in 1995, a third enjoyed an 80 per cent of British children lived in families without a full-time employee. Although half the rise in workless households since 1988 has been due to the rise in single-person households, another part of the explanation is that the increase in female employment occurred disproportionately in households which already contain working members.

This strangely unequal distribution of work is explained by a system of benefits that rewards households, rather than individuals, and imposes high withdrawal rates when a member starts earning. The system not only discourages many from working; it also discourages them from earning more. An indication of the impact on incentives is given in the chart. People are better off if they work, but both lone parents and couples with children con-Unhappily, the benefit front long stretches in system entices more than which additional effort brings virtually no reward.

The bottom line is that

Brown and his colleagues have not been doing too agement is sound. It was a mistake to join the social chapter of the European Union, though with luck this will not be too serious: the minimum wage may prove a worse error, depending on how it works. As for the New Deal for young people, it looks misdirected.

adults in a life of unemploy-

low skill and petty cheating

what to do. The answer -

Three things need to be

done to achieve this:

improve the functioning of

the overall economy to

ensure that it operates at

the fullest possible capacity

before generating inflation;

raise skill levels, particu-

larly at the lower end of the

skills distribution; and shift

expenditure on welfare from

supporting idleness to pro-

Against this standard, Mr

moting employment.

to work.

Intended to provide jobs for 250,000, the number of available candidates is only about 120,000. The young are, in any case, not the heart of the problem. The challenge lies with

the reform of the tax and benefit systems, on which a report is shortly to be produced by Martin Taylor, chief executive of Barclays. The chancellor has put forward the idea of a working family tax credit in his pre-Budget report. Yet the most direct assault is always the best. If the problem is low wages and inadequate incentives to work, the solution must be wage subsidies. Edmund Phelps of Colum-

bia University, the distin-

changes in the labour marsuch a programme in a ket and the structure of benefits traps many British He offers a compelling argument for a tapered subsidy to low-wage employment. In ment, fitful employment, the US, he argues, a subsidy starting at \$3 (£1.80) an hour of the welfare system, with would cost about \$2bn. In harmful consequences for them, their children and the UK a similar programme might cost about \$20bn society. The question is (£12.bn), much of which should substitute for other much more easily said than done - is to raise incentives expenditures.

The big advantages of wage subsidies are: first, by providing support to individuals, the subsidy does not distort decisions on family ties; second, by going to employers it will be easier to police and is certain to be almost universally claimed third, by raising the return to work, it should maximise the incentive to seek (and

offer) employment. Wage subsidies cannot cure all problems: families will still break down and people will still fall ill. Nor s it possible to impose lower marginal rates of subsldy withdrawal on those at the bottom of the earnings heap without imposing higher marginal taxes or those further up the distribution. But, by raising returns from work, they offer a way out of the big gest dilemma facing countries: the choice between high unemployment and .wages for the unskilled

Mr Brown, please note: wage subsidies are an idea whose time has come.

*The Modernisation of Britain's Tax and Benefit System: Number One Employment Opportunity in a Changing Labour Market (HM Treasury, November

**Edmund S. Phelps, Rewarding Work: How to Restore Participation and Self-Support to Free Enterprise (Cambridge, Mass, and London: Harvard University Press, 1997)

guished labour economist, Martin WolfaFT.com

·LETTERS TO THE EDITOR

Number One Southwark Bridge, London SEL 911 We are been to encourage letters from leaders around the whilst Letters from per most any 44 171-873 5938 (please set for to the 1), extend letters and the country of the published letters are also mentalise on the 17 web site, althou support country of translation may be available for letters without the state of the site and the pasternal independent.

Risks in manufacturing bearing brunt of anti-inflation medicine

From Mr W.M. Robson. Sir, Your report "Quick, quick, slow" (January 6) contrasted the booming UK services sector with a manufacturing sector increasingly damaged by the effects of an overvalued pound. It clearly Illustrated the dilemma faced by the UK government and the Bank of England's

monetary policy committee. Although there are signs that the potential scale of this damage is more widely recognised, UK economic policy still continues largely to be dictated by the crucially important, albeit longer term goal of "no return to boom and bust", but by using the blunt instrument of successive rises in interest rates. What is lacking is an additional policy dimension which addresses the growing risks of a "hard landing" and deterioration in UK unem ployment trends later this year. One policy option would be to tighten fiscal policy, thereby allowing

of interest rates. It is not the inflation-prone services sector but the UK's hard-pressed manufacturing sector, the UK steel industry's domestic customer hase, that is bearing the brunt of the anti-inflation medicine (high interest rates. and the resulting strong pound); yet this sector is itself exhibiting few signs of inflationary pressures. As 1998 progresses, and

over the next couple of years, economic policy makers will surely come to regret that greater heed was not paid in time to the concerns of UK manufacturing. It does, after all, employ more than am people - with a further 4m indirectly dependent on it (many of whom work in the services sector) - and is responsible for nearly 65 per cent of Britain's exports.

It would indeed be ironic if one of the government's flagship policies to reduce youth unemployment, "The New Deal", began to get the

attacked over 'grubby

work just as a large and growing number of the current workforce find their jobs disappearing.
The members of the UK

Steel Association - and their UK customers - look to the UK's economic policy advisers to address the mounting concerns arising from the overvalued pound against the ERM currencies, particularly the D-Mark, speedily and before irrevocable decisions are made affecting investment, capacity utilisation and jobs during 1998.

The recent warning words of Mr Jack Smith, chairman of General Motors, should also be ringing ominously in the government's ears; he said: "The strength of sterling has now turned the UK into a high cost economy for inward investments."

W.M. Robson. UK Steel Association. 5 Cromwell Road, London SW7 2HX, UK

The sinister cloak of anonymity

From Mr Martin Taylor. Sir, May I protest against an increasing tendency in your columns for institutional investors, already a comparatively cosseted class, to criticise company managements whilst remaining anonymous?

some progressive relaxation

Your piece, "Granada

move' ", (January 7), where that familiar figure, "a leading investor who would not be named", sounds off at length, is just one example amone many, Criticism is fine, and so is anonymity. but to mix them in this way is discourteous, cowardly

and faintly sinister. Which is why, despite being as bashful as any leading investor. I am happy to sign myself...

> Martin Taylor, chief executive, Barclays, 54 Lombard Street,

Chocolate bar brands – the great survivors

From Sir Dominic Cadbury. Sir, In view of the nightmares facing global brand bosses described by Lord Saatchi ("Battle for survival favours the simplest". January 5) and the end of the dominance of chocolate bars as "hunger satisfaction" perhaps by a "great chocolate scare" predicted by Samantha Zaft (Letters, January 9), may I suggest that the outlook for confectionery brands may not be quite so catacivamic?

Many have very long histories - Dairy Milk 98 years and Bournville 90 years. That they have survived 'emotional revolutions" and that UK confectionery sales

grew a further 3 per cent in 1997 is due to their delicious and nourishing qualities, as well as keeping their consumer appeal contemporary.

Dominic Cadbury, chairman. Cadbury Schweppes, 25 Berkeley Square. London W1X 6HT, UK

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Professor Garel Rhys OBE

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Representative of the Board for Traffic and the Environment BMW AG

But the impact of the inflows, a

In addition, the managed nominal exchange rate has

Personal View · Yonghao Pu

somewhat damage China's

foreign trade position, either

directly or indirectly. But.

for several reasons, I do not

believe China's exports will

Chinese exports destined to

Thailand, Malaysia, Indon-

esia, and the Philippines

together accounted for only

4 per cent of China's total

ther 5 per cent going to

between Chinese and south-

place in third markets.

Second. many south-east

on imported inputs. The

higher cost of these parts

will be felt quicker than any

subsequent rise in exports.

China's currency

will be supported

by strong capital

productivity

or elsewhere.)

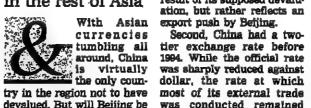
be badly dented.

Shelter from the storm

have to devalue in against the dollar stood at response to currency turmoil

in the rest of Asia

With Asian export push by Belling. currencies



the only country in the region not to have most of its external trade devalued. But will Beijing be able to maintain the value of the yuan? And even if it can. what will be the long-term impact of Asia's crisis on the Chinese economy?

It has become commonplace to blame Asia's currency turmoil on China's term, this will certainly devaluation in 1994. The argument is straightforward: Chinese exporters have been able to undercut rival manufacturers in south-east Asia, weakening the economies of its rivals and rendering their exchange rate uncompetitive. It is true that China made a strong comeback in its export performance last year: in 1997 exports grew by an estimated 20 per cent, compared with growth of

only I per cent in the previous year. Similarly, it is now argued that the series of dramatic devaluations in the rest of Asia will automatically erode the price competitiveness of Chinese exports. If China's external sector is not to suffer, and if its growth rate is to be maintained, the argument goes, China will have no option but to devalue as well.

The facts suggest a rather more complex picture. It is true that in 1994, China devalued its currency from Yn5.7 to the dollar to Yn8.7, a depreciation of 52 per cent. This was done at time when most south-east Asian currencies were pegged to the

devaluation has been exag-gerated in two ways. First, persistent trade China's cumulative inflation outstripped that of the US by Surplus, and about 40 per cent over the period 1994-96, which means impressive the real exchange rate was appreciating while the nominal one remain fixed.

also gradually appreciated to its current level of Yn8.3.

China should not Thus, by the end of 1996, the Exporters will also face a omy's openness - China's yuan's real devaluation cash flow problem as a ratio comes out at 20 per result of the surging cost of cent (only 12 per cent if GDP only 6 per cent. In other servicing their US dollar- is rebased by purchasing

words, China's leap in denominated debts. exports has not been the This situation has been result of its supposed devalumade worse for China's exports contributed only 44 ation, but rather reflects an rivals by the recent downgrades - by Moody's and Second. China had a two-Standard & Poor's - of the foreign currency debt of South Korea, Thailand, was sharply reduced against Indonesia and Malaysia. Risdollar, the rate at which ing import prices will also stoke up domestic inflation, was conducted remained further reducing any commore or less unchanged. petitiveness gained from But if the effect of China's

devaluation. 1994 devaluation has been Third, some export prodoverplayed, what will be the ucts, such as textiles, are impact on China's competiless price-sensitive since they are subject to import tiveness of recent Asian devaluations? In the longer quotas. A substantial change in market share is thus translate into higher exports unlikely. from China's neighbours, a Fourth, China's export fact that will undoubtedly

industry, dominated by labour-intensive products. has a different market structure from most of its rivals. Machinery, electrical goods and transport equipment the higher value-added First, the direct impact of goods - made up a mere fifth of China's exports in the current crists is limited. 1996. Most south-east Asian countries are on a higher rung of the technological

Fifth, and most important, exports in 1997, with a fur- it has been estimated that south-east Asian pre-crisis South Korea. (Admittedly labour costs in the manufacmuch of the competition US dollars, were two and a east Asian exporters takes half times higher than those in China. Although the gap whether in Europe, the US has shrunk since the round of devaluations, China's labour costs are still about a Asian exporters rely heavily fifth lower.

If we use The Economist's Big Mac Index as an alternative guide to costs. China is still the most competitive country in the region, except for Malaysia. What is more, China is about to embark on a sweeping reform of its state-owned enterprises. This will lead to a gradual

rise in urban unemployment further depressing labour costs and maintaining the country's competitive edge. Even if there is some loss of international competitiveness, China's huge internal market makes it easier for the country to absorb external shocks than neighbours such as Thailand can. Using preliminary data for 1997 to calculate the ratio of exports against gross domestic product - a measure of the econ-

power parity). Taking imports into account, net

per cent of the unadjusted GDP in 1997. If a Chinese company's exports fall, it can always turn to the the country's 1.2bn consumers for solace. The government's main task, rather than worrying too much about a "competitive" exchange rate, is to continue reforming the banking sector and ensure that substantial domestic savings are

allocated to deserving com-

panies. China's currency will remain solid. It will be supported by continuing strong capital inflows, a persistent trade surplus, and impressive productivity growth. It will also be helped by rising real interest rates - annual retail price inflation is expected to drop to 1 per cent last year from 22 per cent in 1994, while interest. rates fell only 2.4 per cent.

All of this is not to say that China will find it plain sailing in 1998. In particular, it will face two related difficulties: rising unemployment and weak domestic demand. Slack consumption has led to price competition turing sector, measured in and ever-falling profits for

some industries. But even here China can turn its problems to advantage: a larger pool of cheap, well-trained workers, tamed inflation and a stable exchange rate should add to the attraction for foreign investors of a country that is successfully managing politi-

cal transition after the death of Deng Xiaoping. China should grab this chance to rationalise its industries, reduce overcapacity and upgrade the value-added element of its export industries. Export growth may indeed slow. down in coming years as a result of the strong currency, but at worst they will grow at half the 20 per cent of last year. That is not such a bad performance. It is cer-

The author is a London-based senior economist at Bank of China .. International, . the investment banking arm of Bank of Chara

tainly no cause for alarm.

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FINANCIAL TIMES

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Tuesday January 13 1998

How to make

Emu work

entry criteria in the Maastricht

Treaty of 1992, Italy would not

qualify. Its debt to GDP ratio,

though falling, is 120 per cent of

gross domestic product, twice

the maximum laid down by the

treaty. But Belgium's ratio is

even higher and that country is

It is likely, therefore, that

Italy will be swept into Emu on

the political tide along with all

the other 10 candidates. Even

so, its high debt level could be a

major source of instability

within Emu, unless it can adapt

to a fiscal discipline which

until recently, has seemed

Italy's is only an extreme case

of the difficulty faced by most

Emu members. Since they will

not be able to print money to

stimulate growth, nor use infla-

tion to erode the resulting

debts, they must aim to run a

balanced budget over a com-

plete economic cycle. Only then

will they achieve the flexibility

to run deficits in periods of

recession. To get to this posi-tion, most countries face a long

hard road of fiscal tightening.

These may not be the ideal conditions for Europe to resist

its tendency to harmonise any-

thing that moves - from labour

laws to taxation policy. But it

must do so. The central direc-

tives too often protect the weak-est by compelling all to accept

the practices of the least com-

One of the main benefits of

the single currency should be to

make prices transparent and so

expose uncompetitive practices

to the rigour of the market.

This, combined with fiscal disci-

pline and an open monetary

regime, is the way to get

Europe's 19m unemployed back

been outside the theatre of war.

strategy of seeking full indepen-

. Unhappily good behaviour

has not been rewarded. Kosovo has been left out of successive

Balkan peace plans. Serbia con-

tinnes to rule it with a rod of

iron, largely out of sight of

international observers. Not

surprisingly Albanians are

beginning to lose faith in Mr Rugova. A Kosovo Liberation

warfare, and over 40 people

have been killed in the past

year. If this violence is allowed

to escalate it may easily spread

which has a large Albanian

minority. Albania itself could

In 1992 George Bush threat-

ened Serbia with military force

if its actions caused conflict in

Balkans need in 1998 is more

wars of secession and more eth-

well be drawn in.

dence by non-violent means.

following th

petitive

the strictest interpretation of to work. It is worth striving for.

Balkan contrast

When all-out war began in the majority, culminating in the

former Yugoslavia in 1991, the suppression of the province's

first main battlesround was not autonomy. If Kosovo has since

The destruction of Vukovar by it is largely because the Alba-

the Yugoslav National Army nians have kept their heads

jevo was still thought of as a Ibrahim Rugova's Gandhian

eastern Slavonia are ready at Army" has started guerrilla

jevo. Much credit is due to to neighbouring Macedonia,

sure to be allowed in.

beyond its reach.

A year ago pessimists argued

plausibly that European eco-

nomic and monetary union

could not be launched on Janu-

ary 1 1999 with Italy, Spain and

have been made to reduce bud-

get deficits. Inflation has fallen

to an annual rate of only 1.3 per

cent in Italy, and 25 per cent in France and Germany. Interest rates have converged to within

a hair's breadth and financial

markets appear to regard Emu

as a done deal. Despite the tur-

moil in Asia, European eco-

nomic growth is forecast to be 3

to 31/2 per cent this year, giving

Yet, despite such optimism

serious difficulties remain.

Three and a half months before

EU leaders decide which coun-

tries should be admitted to

Emu, there are many doubts as

to how it will work in practice,

some of fundamental impor-

These issues will be explored

in a series of leading articles in the coming weeks. First, there

is the difficult question of how

fiscal policy will be conducted under Emu and the conditions

under which it could be used to

stabilise member countries

economies. Second, will

Europe's inflexible labour and

product markets create danger-

ous centralising tendencies?

Third, it remains to be seen

whether the European Central

Bank can be truly independent

and at the same time suffi-

ciently accountable to member

governments. It will need to be

much more open than the Ger-

Before tackling these issues,

EU leaders must agree on May 1

who is in and who is out. On

Bosnia but eastern Slavenia.

place where something hap-

fellow-Serbs expelled from Krai-

ina, Serb leaders in eastern Sla-

vonia-accepted a US-brokered

agreement allowing two years.

of UN administration before

Crostia gained full control. This

week the two years are up. Celebration would be prema-ture, but it seems most Serbs in

least to give Croatian rule a try,

rather than fleeing as their Bos-

nian kith and kin did from Mos-

iem rule in the suburbs of Sara-

Jacques Paul Klein, the US gen-

eral who ran the temporary administration. The example of

what international authority

can achieve if firmly and fairly

exercised is potentially encour-

pened in 1914. In 1995, to escape the fate of

man Bundesbank.

a fair wind for the project.

Since then formidable efforts

Portugal on board.

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HE CONTROL OF THE CON

aging for Bosnia. Kosovo. That threat should now Much less cheering are the be complemented with strong omens from Kosovo. The pressure on both sides to seek a break-up of the old Yugoslavia compromise. The last thing the began there in the late 1980s, with Slobodan Milosevic's campaign against the Albanian nic cleansing.

ist system, scandals arise when plop into sinecures provided by businesses with which they had had earlier relations. In a more economies of Asia - that pro- est among the business people

The US has had most experience of how to involve business number of areas involving bust in the affairs of government. It ness interests - such as over has developed congressional tobacco advertising concessions, verting arrangements which for Formula One racing impose a check on imprudent Asia's pro-ousiness policies appointments. Other countries Tellected an essentially corpo should manage potential con-Tatist relationship. The state flicts of interest with similar encouraged companies to rigour. That means greater exploit the global trading sys- transparency and tougher rules tem while excluding foreigners over shareholdings and political from a protected frome market. donations. Above all, politicians The friendliness to business should grasp that a pro-competi-above by Labour and by the tion stance is the best source of Chinton administration, by con- job creation - and the best trast, is based on the recogni- guarantee against business-retion that globalisation encour lated scandals.

COMMENT & ANALYSIS

Grizzly start to the year

Why are stock markets bucking and falling? Philip Coggan and John Authers pick through the explanations

story? Back in October, a sharp fall in the Hong Kong stock market trig gered a sell-off around the globe, culminating in a record one-day points fall in the Dow Jones industrial Average

Yesterday, another bout of worldwide turmoil was sparked as the former colony's largest investment bank, Peregrine Investments, headed for liquidation and the Hang Seng index fell 8.7 per cent. European markets, aiready nervous after sharp falls on Wall Street on Thursday and Friday, dropped more than 3 per cent in early trading: the Dow opened with another 100 point plus decline, before recovering: Latin American markets began sharply lower, with Venezuela down more than 10 per cent.

Is the collapse of a Hong Kong investment bank really that important? And if the markets are suffering from a more fundamental malaise, does that mean a bear market might now be

Clearly, Peregrine is only a small part of the picture. Even before news of its difficulties came, the markets were grap-pling with the collapse of confidence in Indonesia, as doubts arose about the future of President Suharto and his government's willingness to comply with the terms of an International Monetary Fund bailout. But the explanation for the market turmoll goes beyond Asia. Recent stockmarket movements suggest the Asian crisis has caused investors to rethink fundamentally the outlook for global inflation and corporate earnings

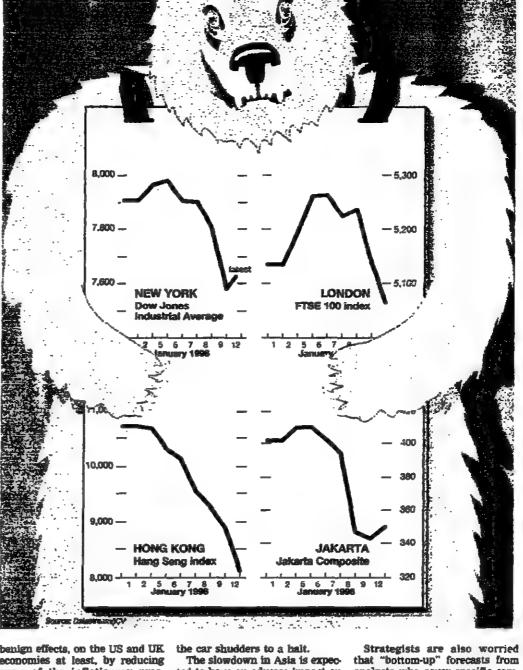
growth. On the one hand, Asia's problems exert a powerful deflationary force on the world economy. That is good news for investors in bonds, who see the real value of their capital eaten away by inflation. On the other, the fallout from Asia may reduce corporate earnings growth - bad news for equity investors. That has made markets volatile, as the different factors jostle for prominence in investors' minds.

In some ways, the (comparatively little noticed) impact of Asia on the bond markets has markets. "The Asian crisis has allowed bond investors to be confident that inflation in the US will stay below 2 per ing director, global equity strategy at UBS.

Bond yields have accordingly fallen, with the yield on the benchmark 30-year US Treasury issue falling to its lowest level since such bonds started to be regularly issued in 1977. The vield on the long-dated UK gilt dropped below 6 per cent for the first time since 1964.

Falling bond yields are normally good news for equity markets, both because they lower the cost of borrowing for businesses and also because institutional investors see bonds and shares as alternative assets. When the returns from bonds fall, that encourages investors to switch how worried investors are about Asia and its effects that this is

not happening.
It is also possible that the Asian crisis will have some



benign effects, on the US and UK. economies at least, by reducing some of the inflationary pressures at a time when economic growth is starting to race away. Laurence Meyer, a governor of been more startling than the the Federal Reserve, admitted widely reported effects on stock last week that the US central bank would have already raised interest rates were it not for

> rosy glow, two will cause a splitting headache. The issue was raised in a recent speech by Alan Greenspan, the chairman of the a narrowing of profit margins. Federal Reserve, who warned of the "virulently negative" effects that deflation could have.

Few people are forecasting outright deflation, in the sense of a fall in consumer prices, in the US or Europe. Nevertheless, the mere talk of deflation may have added to the "flight to safety" into bond markets.

What seems to have fuelled the recent declines in US and European markets, however, is the second main effect of the Asian crisis: the adverse impact on corporate earnings. For the US and UK company sectors in particular, it is as if a driver has applied the brake and accelerator at the same time. When this happens,

ted to have an adverse impact on the exports of western countries, both as demand faiters and as the region's businesses, operating in

cant," says Chris Carter, manag- rather like drinking red wine; US) will lead to rising wage pres- analysts' forecasts. This repreone bottle may leave you with a sures. With international compeunable to pass on these costs to 13.8 per cent. customers, and the result will be

become ultra-competitive.

markets may be protected from account of the Asian effect in calthe worst of these problems, both culating profits for the last quarbecause of their potential to ter of 1997, they have not done restructure and cut costs and the same for their profit forecasts because of their high unemploy-ment rates, which should shield them from wage pressures.

But in the US, a series of profit warnings, combined with sarn- 13.8 per cent. "There's no logical ings announcements coming in reason for this," says Mr Hill. far below analysts' expectations over the past few weeks, have led to some spectacular declines in omy." share prices. Technology stocks have been particularly affected due to their heavy exports to Asia, with Oracle, the world's second-largest software company. dropping by almost 30 per cent in

analysts who cover specific companies and sectors still seem unrealistic. True, forecasts for the fourth quarter of 1997 have newly devalued currencies, been cut substantially, with profits for the S&P 500 companies At the same time, in the now expected to rise by only 7.8 domestic economies, tight per cent year on year, according to Boston-based First Call, one of sents a big revision downward: tition intense, businesses will be three months ago this figure was

But, says Charles Hill, First Call's director of research, Continental European stock though analysts have taken for 1998. The consensus forecast for earnings growth during the whole of this year compared with last is still a remarkably bullish "Analysts still seem to think we're in the Goldilocks econ-

What will happen to equity markets if these high expecta-tions are dashed? It seems unlikely that the bad news in Asia is over, even though there have been signs of stability in South Korean markets this week.

But it is possible that the western markets could decouple from events in Asia. After all, the falls so far this year have done little more than reverse the rally of late December. And the Dow's 222 point fall on Friday may have looked large in nominal terms but in percentage terms - 2.85 per cent - the drop was relatively modest. That was a long way short of the 7.2 per cent decline suffered in October or the 22 per Monday" in October 1987.

Traditional valuation methods based on the relationship with bond yields, are moving in favour of stock markets, "In the summer, developed equity markets looked 15 per cent overvalued," says UBS's Mr Carter. "Now they look 6 per cent cheap."

n the US, equity strategists point out that the current price-earnings multiples are not historically high, at least comest rates and inflation. Abby Cohen, the influential strategist at Goldman Sachs, says estimates of value linked to inflation make equities look more attractive than do estimates of value linked to interest rates.

She concedes that stockmarket volatility is likely to increase compared with that seen over the past few years, because US equities had been "notably undervalued" from mid-1994 until early last year. Now, she argues, they are fairly valued and so the "valuation cushion that allowed disappointments to be well tolerated" has been removed.

An added complication in the US is the behaviour of retail investors. The amounts invested in the market through mutual funds and discount brokers have been running at record levels for the past two years. Retail investors' reaction to the Dow's sharp dip on October 27 last year was critical to the market's swift turn-around. Many treated it as a buying opportunity, fuelling a recovery the next day.

There are likely to be strong net inflows from retail investors into markets this month. Many small investors have last year's bonuses to invest, while tax considerations also mean heavy investing in pension products. However, small investors may be switching their attention to bonds. Vanguard, the biggest seller of mutual funds, yesterday said only about half was soing into equity funds. Preliminary estimates show that inflows into equity funds rose \$10bn last year to \$230bn; inflows into bond funds rose to \$47bn, up from \$12.5bn.

If this trend continued, it could lead to less liquidity for the equity market. But the real issue is whether events in Asia have done enough to destroy the "Goldilocks scenario" of low inflation, low interest rates and steady economic growth.

"In the mid-1990s, low inflation was prompted by supply-side benefits to the economy, that is the improved efficiency of the corpo-Hughes, Barcleys group economic adviser. "Now the worry is that low inflation will be caused by reduced demand. The former scenario is positive for both bonds and equities, the latter is only positive for bonds."

Business friends

in governments attitude towards business gone too far? To many, a pro-business stance of the kind exemplified by Tony. Blair's government in kets. This is a liberal, not a mer-Britain is clearly better than cantilist, view. one-where the bureaucracy ignores, how the golden goose liberalism and corporatist lays its eggs. Others will point cronyism is often thin. In a statto the damage now being done ist system, scandals arise when in France as a leftist govern politicians and civil servants ment undermines the competitiveness of French industry by imposing a 35 hour week. Against that must be set the liberal environment the flow is lesson now emerging from reversed. The scandals stem lapan and the troubled tiger from potential conflicts of inter-

been a disguise for cronyism or government. corruption. And Mr Biair's government has stumbled in a

Has the remarkable turnaround ages companies to direct invest-ing governments attitude ment and employment to coun-towards business gone too far? force, low taxes and business-friendly labour mar-

Yet the dividing line between business policy has too often who advise or participate in

Minister in demand

French finance and industry minister Dominique . Strauss Kahn faces something of a dilemma. Paris Socialists want him to be Paris regional

mid-March regional elections: Until recently, he could have accepted the new job and stayedon at the Bercy ministerial complex. After all, Alam Juppe managed to be mayor of Bordeaux and prime minister at the same time. But current premier Lionel Jospin takes a dim view of le cumul des mandats - having lots of

Admirers of the way DSK has handled himself in his seven months in the government shouldn't fret too much: friends say that's where he wants to stay Meanwhile, Jospin's signal

that laws are on the way to limit of central and eastern Europe. the number of elected positions anyone can hold has been a convenient smokescreen for some opposition heavyweights to bow out of local politics though they say they're acting : on their own initiative, not under government pressure François Leotard, head of the centre right UDF alliance, has resigned as mayor of the southern town of Frejus to

concentrate on the regional elections, while Philippe Seguin, former head of the National Assembly, has stood down as mayor of the eastern town of Epinal to devote himself to the presidency of the Gaullist

There are question marks over the mairie in both towns. . There's a legal investigation into fake prefectorial stamps found in the town hall at Frejus, and the Socialist opposition at Epinal has called for an official inquiry into the town's finances. Maybe some top politicians have indeed been spreading themselves too thinly.

Santer's Klaus

■ Chief European Commission. spokesman Klaus van der Pas is about to be promoted to one of the toughest jobs in Brussels: heading the taskforce to manage enlargement negotiations with the former communist countries

The struggle for the top enlargement job has led to months of intrigue, primarily involving François Lamoureux, the brilliant aide to former president Jacques Delors. Lamoureux apparently pulled out all the stone in Paris to secure the post, but couldn't win the support of Hans van den Brock, the Dutch commissioner who has overall responsibility

for eastern enlargement. Others raised concerns about too much French influence in Brussels. Van der Pas has spent three

years burnishing the image of lacques Santer, the affable president of the Commission. He will have his hands full running the enlargement taskforce, which is far more complicated than previous expansions of the EU, but he is well qualified for the task, having been responsible for the Swedish accession negotiations in 1993. Van der Pas, a native German

who grew up in the Netherlands, joined the European Commission almost straight from school more than 25 years ago, and didn't go to university until later, he graduated in Brussels in 1980. His appointment insiders say it will be announced shortly - will be one in the eye for those who accuse Brussels of being an elitist ivory tower.

Stand-up comic

Sometimes you even have to feel sorry for bureaucrats. Yesterday, Tokyo finance ministry officials had to explain why estimates of Japan's potential banking bad loans had apparently tripled - and why none of the published figures

Apparently it's because everybody is using different definitions of a non-performing

OBSERVER loan: the hankers have one set of standards, the government another, and the US has a third

 which Japan wants to adopt. Officials then faced another public relations conundrum. explaining the government's planned Y30,000bn financial support package. It's not easy: politicians keep changing their minds about the package and officials privately admit that the Y30,000bn figure was more or less plucked out of thin air in the first place.
In an attempt to be helpful,

the ministry has produced a comic style book, featuring cartoons of sobbing bank buildings and puzzled Japanese honsewives asking questions such as "Will more banks go bust?", "Will taxpayers foot the bill?" and "How can we trust the information from the banks?" How indeed?

No blushes That old cliché about clouds

and silver linings seems to be working for Chob Malidol, a 66-year-old woman in Pichit province, about 450km north of Bangkok. She noticed that the Asian crisis meant that lots of people who wouldn't be seen dead in a pawnshop needed to raise money quickly. So, for a small fee, she takes their jewellery, watches and cooking pots along for them.

Ginancial Jimes

100 years ago Sombre News From Paragnay

The news from Paraguay is of a sombre cast. There is said to flour mill has stopped working, and the bakers, it is feared, will have to close their shops. It also appears that the tobacco is so badly handled in complaint from consumers is general.

Other Notes From Abroad It is said that while everybody has been watching wheat, Mr. Leiter has cornered the oat market in Chicago, and has made a good thing by it.

President Calloway, of the Lake Shore Railway, ascribes that falling off in passenger business on that and other lines in the same district to the long-distance telephone.

Jorge Walker Schell, the absconding cashier of the Chilian Conversion Office. has been captured in Argentina. His defalcations are supposed to amount to about \$130,000. When captured he had some \$7,000

in his possession. The Railroad Gazette says the locomotive shops, other than railroad shops in the United States, built 1,251 locomotives in 1897 as compared with 1,175 in the previous year.

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Blueprint for N Ireland US cash hailed as breakthrough maker eyes

By John Murray Brown in **Belfast and David Wighton** in Tokyo

The British and Irish governments yesterday tabled a fresh blueprint for a political settlement in Northern Ireland after a day of frantic diplomatic activity between Dublin, Relfast and Tokyo, where Tony Blair, the UK prime minister. is on an official visit.

Mo Mowlam, the chief Northern Ireland minister in the UK government, hailed the blueprint as a "breakthrough" after the nationalist and pro-British unionist parties involved in peace talks in Belfast agreed to a full debate on its contents today.

"There has been a breakthrough, I don't know how big. but it's there. People are willing to come back tomorrow to talk about it," Ms Mowlam

The centrepiece of the pro-

the UK and the Irish Republic, accompanied by a north-south body comprising politicians

was slipping back into sectarian violence.

London and Dublin hope the from Northern Ireland and the Republic.

Ms Mowlam described the paper as the two governments' 'best judgment" as to the likely outcome of negotiations. Gerry Adams, president of Sinn Féin, the political arm of the IRA, and Martin McGuinness, the party's chief negotiator, were not in Belfast to com-

ment on the proposals. David Trimble, the Ulster Unionist party leader, said the package "still needs refining and development. I'm not endorsing it." But he added: "There is nothing that obstructs or flatly contradicts the sort of objectives towards which we are working."

The initiative follows a tenso two weeks over Christmas when the killing of a loyalist leader triggered reprisal murders of three Roman Catholics. raising fears that the province

document will form the basis for substantive negotiations over the coming months. Mr Blair has said he hoped to see a settlement agreed by May, which would then be ratified by concurrent referendums in Northern Ireland and the Irish

The proposals envisage a new power-sharing assembly elected by proportional representation, provisions to safeguard the rights of both communities and measures to deal with prisoners, security, policing and the arms question. The parties meet today in a

full session at Stormont Castle. The reopening of the talks followed a night of intensive telephone talks between Mr Blair and most of the leading participants, including Mr

Pave way for deal, Page 10

system Europe By Peter Marsh in London

Currency Systems International, a US-based company that makes bank note proces ing systems, is planning to triple its European employees over the next three years. It believes the move to a single European currency will offer many business opportunities.

The company, one of the world's four big makers of these systems, has already transferred some senior management functions from its Dallas headquarters to Europe. It intends to double its \$50m annual sales in the continent by 2000.

Its European staff of about 70 is likely to increase because of the need to replace most of Europe's 12bn banknotes.

Their replacement by eurodenominated notes will require novel sorting systems likely to be more sophisticated than existing note processing equipment. The notes will be legal tender across much of Europe but will have features that are unique to specific

World sales of banknote processing systems, used by central and commercial banks and retailers, are put at £1bn (\$1.6bn) a year. The two biggest suppliers

are De La Rue of the UK and Germany's Giesecke & Devrient, both of which are increasing their technology and marketing efforts before economic and monetary union.

CSI, with European headquarters near London, is the third biggest company in this field in Europe, but has been cetching up fast.

Since 1995 it has been majority owned by GD, a private Italian company that is one of the world's three biggest makers of cigarette production machinery.

The fourth big company in banknote processing equipment worldwide is Toshiba of

With projected global sales this year of \$70m, CSI already good behaviour will allow it to gets more than two-thirds of remain untainted by the problems of the region. The policy of pegging the currency to the US dollar rently lacks a coherent culture.

THE LEX COLUMN

Creeping correction

FTSE Eurotop 300 index: 971.9 (-22.1)

remains correct, especially in the

as regional currencies are in tur-

moil, the price of this link is higher

interest rates, which is bad news for

For investors wanting to main-

tain exposure, cash rich blue chips

able to benefit from high interest

sectors like property and financials.

political connections on the main-

land - precisely the sort of crony-

ism that has discredited markets

unlikely

Hong Kong

Once again, a stormy Asian morning turned into a calmer American afternoon. US investors are still "buying on the dips", apparently reassured that Asia's woes will have only a limited effect on the US economy. As a result, the US stockmarket largely ignored the drop in Hong Kong - though, of course, it fell 5 per cent last week. Wall Street has yet to discount

the full impact of Asia's problems. A quarter of US imports are sourced in Asia, and Far Eastern companies. aided by devalued currencies, will be exporting to the west for all they are worth. In Europe, the scope for restructuring should help companies offset falling prices by cutting costs. That will be harder for US corporates, given a tight labour market and their aiready higher productivity levels. Meanwhile, US economic growth is vulnerable to a slowdown in consumer spending and inventory build-up, both of which have grown above trend in

the past few years. The combination will hit profits hard. While Wall Street's bottom-up industry analysis on average still blithely expect earnings growth of 14 per cent this year, the number will almost certainly be much rates look a good bet. So too do companies with exposure to Chinese infrastructure spending. To be lower. Equity strategists put the figure at 7 per cent this year and just 3 per cent in 1999. Yet valuations remain stretched, with the S&P Composite trading on 19 times current year earnings. This raises the likelihood of a creeping crash, where the market slides slowly and bumpily, as investors adjust gradually to further bouts of bad news.

Hong Kong Deutsche Bank

Asian fund managers who Deutsche Bank's scheme to intethought Hong Kong a safe haven from regional turmoil have had a grate its commercial and investment banking businesses clearly rude wake-up. In itself, the demise makes sense. A single division servof Peregrine ought not to have ing big corporate clients ought to be prompted further share price carable to generate more business by page. The failure of the hometown using Deutsche's excellent relationinvestment bank may be a blow to ships to sell Deutsche Morgan Grenpride, but it does not pose systemic fell's high-margin products. Neverrisk. And measured against most of theless, the plan does highlight how its Asian neighbours, Hong Kong's DMG is still stuck in investment standards of economic and corpobanking's muddled middle, while rate governance have been exemthe likes of Merrill Lynch forge plary. Moreover, where other leadahead. The main weakness, masked until global markets started to sufers have preferred truculence or denial, its politicians have kept fer at the end of last year, is too little corporate finance business. their heads admirably. Alas for Hong Kong, the unpalat- The mooted reorganisation would able truth is that no amount of at least address this issue head on.

like Indonesia.

Still, actually integrating the two businesses could provoke culture clashes in an organisation that curTricky decisions would have to be taken on whether a commercial or investment banker should take the lead role with each large client. And commercial bankers, typically paid less than the investment bank-

ers, could easily get bitter.

That said, if the scheme worked. it would not merely pep up Deut-sche's investment bank but would change the commercial banking side radically too. The "house bank" model - under which Deut-sche was happy with cosy, long-term relationships even if they produced only low-margin lending business – would have to go. The resulting harder-nosed approach would be healthy for German banking, and industry too.

French unemployment

If Lional Jospin, the French prime current volatile climate. But so long minister, can pacify unemployed protesters with limited one-off payments - albeit after some more equities. And with calm waters uncomfortable ejection scenes this latest outburst should prove a some way off, an early respite looks storm in a teacup. With tax receipt rising and unemployment starting to fall, a FFribn (\$160m) emergency fund presents no threat to the budget. The greatest risk is that further violent protests extract immediate benefit increases too. With a "social exclusion" bill scheduled for March, avoided are interest-rate sensitive the government should relasten the Likewise, those "red chips" whose coffers now. That bill may produce potential rests on little more than a more worrisome palliative in restoring some of the benefit cuts imposed on the long-term jobless. But even this could be mitigated by spending reductions elsewhere, and it is in any case cheaper than creating more public sector jobs.

Much more important are initiatives related to the private sector. including damage limitation on the proposed 36-hour working week. So far, signs of flexibility are encouraging. Annualising working hours and cutting overtime rates, for instance, would lessen the impact on unit labour costs, which have been flat or falling in France this decade.

What has yet to happen, however, is the pruning of a thicket of deterrents to job creation. Employers are rightly clamouring for reforms to employment charges and regulations, which pile up as a company expands. If the Jospin government can rebuild bridges with the private sector, investors should have little to feer in a country that remains on a strong recovery path.

www.mabig.com

Additional Lex comment or Tomkins, Page 24

Iraq threat to UN arms team may cause stand-off

Iraq yesterday announced it would block a United Nations arms inspection team led by an American whom it claims is a spy. The move is likely to provoke another stand-off with

The ban on Scott Ritter would be effective from today. according to an announcement by Iraqi News Agency.

Iraq has repeatedly denounced Mr Ritter, a former US marine captain who served in the 1991 Gulf war, as a US spy working under the cover of UN inspections teams. Kofl Annan, the UN secretary-general, called the Iraal decision the "first hicBaghdad said it would expel American team members.

Baghdad's decision is likely to raise tensions with the UN security council, where France, Russia and China favour an early lifting of sanctions against Iraq. Their approach is softer than that of the US and the UK, the other permanent council members.

Mr Annan, who last night was meeting Richard Butler. chief UN arms inspector, to discuss developments, said: "We have not decided to halt any inspections. The teams are on the ground." UN diplomats said Iraq had not officially informed them of the decision.

Mr Annan urged Iraq to refrain from "any precipitous cup" in the UN mission since action. My advice would be to Baghdad resumed co-operation wait and discuss these issues with inspectors at the end of a with Mr Butler." mouth-long stand-off last

The chief weapons inspector, November. The UN withdrew an Australian, is due in Baghits inspectors from Iraq after dad on January 19 to discuss

access to suspected weapons sites placed off-limits by Iraqi authorities.

Iraq on Sunday complained that a new 16-member UN inspections team, headed by Mr Ritter, was "unbalanced" as it was made up of nine Americans, five Britons, one Russian and one Australian.

The latest UN inspection mission would have been the first significant challenge to Iraq since last year's crisis because it was to entail unannounced concealment inspections rather than weapons monitoring.

Last year the UN said it would not allow Iraq to dictate the composition of UN inspections teams. Russia persuaded Iraq to allow the return of UN weapons inspections teams with their American members.

Envoy fears conflict, Page 4 Challenge lifts oil, Page 28 its sales from Europe.

HK bank collapse Court appeal against Emu

had made their formal choice The official said that the mission will issue recommenmeet the Emu criteria on ity, public debt and deficits in late March.

All EU members except Britain, Denmark, Greece and Sweden are expected to join

Europe today

the south and west but the north

Low Countries, Germany, Austria

parts. Most regions of France will

Portugal to leave sunshine and

across Spain, clearing this afternoon. The remainder of the

Balkans will be dry with sunny periods. Eastern Europe will have some sunshine in more southern

Wilhelm Hankel, a former Bonn monetary official, said he and the three other German professors were not against Emu as such, but they

wanted to halt the present

Professor Hankel lodged the complaint along with Wilhelm Nölling, a former member of making council, Karl Albrecht Schachtschneider, a constitutional specialist at the University of Nuremberg, and Joachim Starbatty, an economics professor and expert on the social market economy from Tübingen University.

and I think it is going to be

hard to navigate." Once again, there was a flight of capital to relative safe havens. Yields on US, German and UK government bonds all fell to the lowest levels in several decades. The UK government bonds - gilts - market continued to surge, with the March future contract closing % higher at 124% and the yield on 10-year gilts staying com-

fortably below 6 per cent. In Germany, the yield on 10year bunds - government bonds - edged close to 5 per

cent, hitting a record of 5.02 per cent at the day's high.

The dollar also retained its safe haven status against subdued Asian currencies, gaining Y1.61 against the Yen to close at Y138.1 in London. By contrast. Latin American bond and squity markets fared badly, with the Venezuela stock market down 11 per cent

Hans Tietmeyer, president of Germany's Bundesbank who chaired a meeting of his G-10 colleagues in Basel yesterday, tried to calm markets, saying he "hoped Korea was now on the way to improvement".

Continued from Page 1 Continued from Page 1

of founder members on May 2. period between late March and early May was likely to prove "the last hurrah" for opponents of Emu. The Comdations on which countries inflation, exchange rate stabil-

Scandinavia will be mild with rain in and east will be cold with snow. The and Switzerland will have thickening cloud which will bring rain to many have rain or showers. Rain will clear showers. Rain will move eastwards Mediterranean will have good sunny parts but there will be snow flurries Western and northern parts will be unsettled and mild with further spells of rain but it will turn colder later in

become more unsettled with rain and showers in many parts and

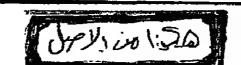
Five-day forecast

Lufthansa

The airline for people who fly to work.

Majorai Mata Manche Manche Malila Medico Medico Munico Monoto Mon

Hangoo Reykjaxi Rio Rome S. Frsco Sedul Sirgapoi Strasbou Sydney Tangler Tel Aviv Tokyo Toronto Varicouvi Varice Unernai Watsingtor Watsingtor Wanipeg Fair 5 Fair 6 Fair 7 Fair 29 Rain 17 Cloudy 17 Fair 9 Snow 0
Rain 7
Fair 10
Fair 10
Fair 11
Fair 18
Sun-18 "HELLO WORLD" Pick up the phone and pick up the world $\pm 44^{\circ}(0)171^{\circ}600^{\circ}8585^{\circ}$

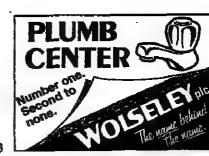




Asset Consultants 0171 405 8411 FINANCIAL TIMES

COMPANIES & MARKETS

Tuesday January 13 1998



INSIDE

Andersen divorce may prove costly

Andersen Consulting stunned Arthur Andersen its fellow international professional services organisation, with its decision in December to seek a split. AC could walk away, but at a price. It might be forced to pay compensation of up to 1.5 times net revenues - about \$11.5bn. Page 18

Barclays sells part of BZW Asia business Barclays, the UK banking group, continued its retreat from investment banking, selling only part of BZW's Asian equities operations to Credit Suisse First Boston. The bank is likely to have realised about £300m (\$489m) for the £400m in assets it put up for sale, not counting significant reorganisation costs in London. Page 24



Claridge Israel, the controlled by the Charles Bronfman fam ily of Canada, plans to continue the sale of non-strategic holdings of Koor Industries, Israel's biggest conglomerate which Claridge took over last year. Jonathan Kolber (left), deputy chairman

of Koor and president of Claridge Israel, said: "We're going to continue to do that but we will do it a little more aggressively." Page 19

Indonesian crisis hits commodities The sharp devaluation in Indonesia's currency has brought little comfort to the country's commodity producers. All three main sectors of palm oil, rubber and timber face difficulties. according to economists and bankers. Page 28

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Rises		***	Rises	
Pressag	540.5 + 13.0 +		Lornetz Hotel	27.8 • 6.7
Mokset		01	FEPP	256.0 + 33.7
Junghenrich	3020 ÷	100	Metal Deploye	3750 + 340
relis	25.5 -	25	Felia	
VBH HIDE			Collecto	51E0 - 56.0
Meidel Zear	96.0 -		Proced	525.0 - 55.0
Turkett	41.0 -	29	Bourgues.	218.0 - 20.4
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Floes		_	Mises	
indetat	124 +	2	Darent House	769 + 48
SGS Thereson	561 +	44	Fells	
usx us sirel	30; +	12	Cidzen Which	E34 - 47
Fello		_	Kanome	605 - 35
Central Park	35 -	5, 2	Olo Electric	212 - 36
Farfield Com	36; -	22	Suranomo T&B	588 - 45
J Ray McDent	32 -	22	Zenel Com	252 - 48
LONDON (Po	nce)		HONG KONG	
Alece			Falle	famous.
Commod Lord	1831: +	16	Brik E Attes	134 - 23
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Liberty	350 ÷	35	CLP Hides	34.5 - 3.5
Falls		_	Cheung Kong	336 - 42
80C	900 -	35	Henderson Lnd	330 = 44 245 - 296
Servisar	200 -	65		
LI ČED	486 -	24	3Hk Ppt	
TORONTO (C	8 7		BANCKOK (S	eled.
Pipps				
Claudo Res	2.05 +	0.25	City Sports	17.25 + 3.75
Transpiote	1.75 +	0.32	Haad The	24.5 + 4.5
GLT Photo	18 75 +	20	Hipor Elect	27 25 + 4.75
Parks.			Talia.	
AUTO CI 6	39.0 -	16		735 - JBS
Foremost Inds		1.5	Preecha Grp	17.25 - 7.25
Stackpote	15.5 -	70	Sam Sport	31.0 - 13.25

Creditors await Peregrine fallout

Collapsed Hong Kong bank with debts of up to \$1bn looks for buyers

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Creditors to Peregrine, the pan-Asian bank which went into liquidation yesterday. began calculating their exposure to the bank's outstanding debts, which some estimates put as high as US\$1hn.

Talks to sell certain parts of the Hong Kong-based bank namely derivatives, stockbroking, corporate finance and a stake in the Asian Infrastructure Fund - were being held. Potential buyers include AIG, the American financial ser-

Executives at Peregrine's corporate finance and broking operations in New York and London said several expressions of interest

By Louise Lucas in Hong Kong from leading US banks. Kong's post-colonial leader, said Peregrine's failure did not pose a systemic risk, but analysts underlined the impact that Peregrine's failure would have on confidence in the ter-

"They were an important

a rival investment bank. "They were Hong Kong's home-grown investment bank and they took on the big boys successfully in the region and in China in particular First Chicago, the US bank which was to have taken a 2.5 .tor banks "look pretty safe". per cent stake in Peregrine. is

one of Peregrine's main bank-

ers. Analysis said that the interest exact extent of its exposure received would take time to establish.

Tung Chee-hwa, Hong lines to Peregrine include HongKong Bank, Deutsche Bank, Société Générale and Credit Suisse. The exposure of Credit Sulsse, the Swiss bank, is thought to be about \$40m. according to analysts. Credit Suisse declined to comment. The Hong Kong Monetary

symbol here," said the head of Authority, which supervises the banking sector, said exposure of local hanks to Pe grine was modest compared to international lenders. Steven Thompson, chief analyst at Nikko Research Centre in Hong Kong, said the credi-

Another analyst agreed: "It's

not a black hole. I think you

Peregrine sources originally

mates outside the company believe the total could be more than \$1bm. "If you have \$800m in equity and \$400m in debt you don't go bust," says Peter Everington, chairman of Regent Pacific Fund Manage-

Peregrine, which employs about 1,700 staff, was forced to close following the collapse of rescue talks on Friday with Zurich Group of Switzerland. The Swiss financial services company pulled out of a \$200m capital injection following the revelation that Percerine was owed more than \$200m by Steady Safe, an Indonesian taxi and bus company linked to the Suharto family.

Peregrine was underwriting

Other banks with credit put outstanding debts at a Rp534bn (\$60m) rights issue which was postponed. While Peregrine would not comment on outstanding loans to the group, analysts have calculated its losses at about \$170m. Insiders at Peregrine also said that First Chicago's apparent refusal last week to provide a bridging loan to Per-

> egrine was one of the main reasons for Zurich Group's decision to pull out. Britain's National West minster Bank said it hoped shortly to conclude the sale of its Hong Kong-based "greate China" equities business. It

has closed offices in Manila, Kuala Lumpur, Singapore and Bangkok with the loss of 40

Cheaper debt boosts bond issues

Companies pursuing shareholder value make most of falling yields

he rally in European and US bond markets has triggered a big rise in corporate bond issues as treasurers make the most of the cheapest long-term debt in

A recent surge in bond prices has been partly encouraged by the sharp decline in government bond sales, as western governments have reduced budget deficits. But corporate issuers look set to fill much of the vold.

Eden Riche, head of debt syndication at Morgan Stanley Dean Witter, said: "Domestic corporate bond issuance in the US is heading towards over \$50bn in January, which would be a record." He projected a similar boom in

On Tuesday alone, the US market raised \$4.4bn from corporate bond issues, following the long bond yield's push below 5.75 per cent. days in recent memory, and it returns for shareholders. tells us that lower borrowing

costs haven't lost their ability

to effect economic activity," said John Lonski, senior economist at Moody's in New York. suing share buy-backs. Lucent Technologies, the telecommunications equipment manufacturer spun off from AT&T, is a recent examdebentures last week, the company's first such issue since

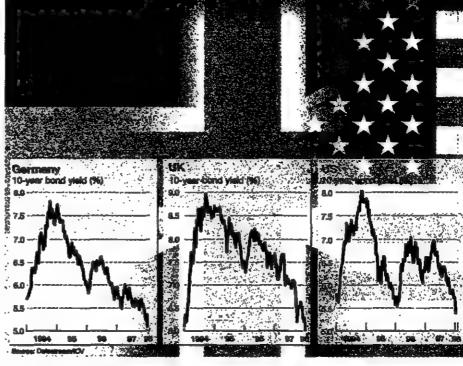
Although Lucent's treesurer, Meg Walsh, said the company had no need to raise the capital at this time, it used the low interest rates to rebalaway from floating and toward more fixed rate debt. "If we had issued similar debt in early November, it would have added \$36m in interest expense over the life of the bond," she said.

According to Capital Data, the value of international bond issues in January is up by aimost 20 per cent, despite the existence of an additional trading day in January last The fall in yields, particu-

larly on long-term debt, has coincided with the new corporate creed of shareholder value. Buying back shares and increasing debt, especially in the current low interest rate environment, reduces a company's weighted average cost In the UK, the impending

removal of advance corporation tax will cut tax bills for multinational companies par-Gerald Corbett, chief execu-

tive at Railtrack, the privatised UK rail operator, said: "The ACT changes in the last ple. It issued \$300m in 30-year TIK hudget made courty more expensive, and long-term debt has become much cheaper



change. The value of leverage has increased, and we should see more corporate bond issu-

Bond swap spreads are the most favourable in years. Swap spreads are the rate at which issuers of fixed interest rate bonds can swap into floating rate payments that move with average lending rates. Wide spreads allow companies to borrow well below bank because of the yield curve, so rates and have been a factor

The main caveat in the UK. however, is demand for capttai. British companies are far less leveraged than their counterparts in the US and Europe, and have been keener to give cash back to shareholders, rather than spend it.

David Kappler, finance director at Cadbury Schweppes, said: "There is almost excessive cash generation in corporate UK, so the demand for capital may not be that that Cadbury was looking "at one or two of our dollar financings", to see if they could be more appropriately funded through the bond market.

Issuance is expected to remain at high levels. Mr Riche said: "There is a lot of cash on the sidelines, waiting to be invested."

Simon Davies

Low-cost computers from Sun stir market

By Louise Kehoe in San Francisco

Sun Microsystems will today launch low-priced machines that combine workstation and personal computer features in an attack on the market for

Sun says the machines will have the performance and reli-ability of traditional Unix workstations at prices that undercut the new generation of Windows NT workstations. Sun's lowest-cost model, for example, will cost \$2,995 in the US. Equivalent machines from Compaq sell for \$3,400.

Sun, which pioneered the workstation market 15 years ago, has recently faced intense competition from companies such as Compaq Computer and Hewlett-Packard offering workstations based on highperformance personal com-

puter technology.
In particular, workstations based on Intel microprocessors and Microsoft's Windows NT operating system have invaded the market hitherto dominated by machines based on Risc (reduced instruction set computing) microprocessors and the Unix operating system.

Other workstation manufacturers, including IBM and HP. have "virtually abandoned" the Unix workstation market for Windows NT, said Ed Zander, president of Sun Microsystems. "We are taking a conrarian approach.

Silicon Graphics, another Sun competitor, is also moving to adopt Windows NT and Intel technology for its next generation of graphics work-

Rather than bend to the industry trend, Sun will today announce a range of workstations priced to undercut its competitors. "This is not a defensive move. We are on the offensive," Mr Zander said.

To achieve lower prices, Sun adopting some of the standards for peripheral connecsis design used in the personal computer industry. This will enable the company to use lower-priced, high-volume parts that are used by PC mak-

Sun is also planning to offer its workstations for sale via the internet, emulating the trend in the PC market where corporate buyers place orders

Workstations represent John Labate nearly half of Sun's revenues.

Fund managers bearish on domestic economic growth

By Jane Martinson, Investment Correspondent

world are turning to defensive so pessimistic was in 1990. sectors of the stock market according to Bijal Shah, global and bonds as they become strategist at Merrill Lynch. increasingly pessimistic about domestic economies, according to a report released yesterday. The survey by Merrill Lynch, the US investment research company, found that fears about fallout from the Asian crisis combined with doubts about the economic cycle are making fund managtional investors surveyed are bullish on the US economy

over the next 12 months. This

is the lowest level of optimism

since the poll started in 1994.

of £1,043bn (\$1,700bn), expect further growth in the domestic economy this year. The last Fund managers around the time UK fund managers were

"Fund managers across the globe are getting more gloomy on the outlook for the domes-tic economy," he said. Some 275 institutional investors with bank, and Gallup, the market funds under management of \$5.615bn responded to the monthly survey.

Mr Shah said managers were worried about domestic factors. In the UK these included ers more bearish than at any a tightening monetary policy while in the US fears about Just 3 per cent of US institu- Asia appear to have exacerbated concerns about the overheated stock market. Almost half of US managers felt that the US equity market was overvalued while no manager in the UK, only 14 per cent believed it was undervalued.

the outlook for corporate prof its with 54 per cept believing that earnings will disappoin this year.

The expected global slow down is pushing fund manage ers into defensive, counter cyclical sectors of the stock market. For US managers these include consumer staple whereas UK managers favour pharmaceuticals and food retailing. Chemicals, oil and engineering shares are being shunned. In Japan, fund managers are moving into sectors such as utilities and away from the financial stocks.

Mr Shah predicted lower gilt yields as buying pressure con-

The one ray of light for investors appears to be continental Europe. Bulls of shares in the region outnumber bears by 50 per cent on three-month More than half of US fund and 12-month outlook.

More top Shell jobs for women

By Robert Corzine

Royal Dutch-Shell, one of the world's biggest oil companies. plans to shake up its traditionbound corporate culture by increasing the number of women and nationalities in its top management tier.

If successful, the move will transform the current maledominated and overwhelmingly British and Dutch ranks more effectively to those of Shell's senior executives. Over the next five years it John Holmeister, the Ameri-Signal in the US, noted that 80 plans to increase the number of women in the top 400 management positions from the

been cited by critics as one reason why it has struggled with rapid change in its DUBINESS.

Critics point to the controversy over the scrapping of the gender of senior executives in Brent Spar oil rig and Shell's 10 years would be broadly the problems with human rights in Nigeria. They say a broader ation of top managers. management base might have helped the company to respond

can recently appointed Shell's per cent of Shell's employees international head of human worldwide come from counresources, said yesterday the tries other than the UK and present 4 per cent to about 20 company had completed a the Netherlands and this study into management diver- ought to be reflected in top The narrowness of Shell's sity as part of its long-term management.

heavily bureaucratic group into a more nimble competitor It showed that if Shell did nothing to bring about greater diversity, the nationalities and same as those of today's gener-

Mr Holmeister, who joined Shell four months ago after running corporate transformaPPMIVENTURES 33

£300 million Management Buy-In



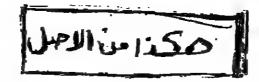
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COMPANIES AND FINANCE: THE AMERICAS

More change at the top for P&U

Pharmacia & Upjohn, the troubled US-Swedish pharmaceuticals company, is replacing its finance director in the latest and highest-profile personnel change since Fred Hassan took over as

chief executive in May 1997. Bob Salisbury, who will stay on as finance director merger of Sweden's Pharmuntil a successor is found. acia and Upjohn of the US at 47, was previously chief took a prominent role in the merger of Pharmacia and Upjohn as the right-hand man of John Zabriskie, the chief executive who left almost a year ago. He had been chief financial officer at Upiohn since 1989, having ioined the company in 1974. and becoming vice-president for corporate finance and

US Nasdaq exchange were \$1.19 lower at \$34.25 in early trading yesterday.

Mr Hassan was brought in to rebuild the company following two years of profit warnings and headquarters relocations. The company ran into trouble shortly after its creation through the the end of 1995. Cultural clashes slowed restructuring and, combined with a shortage of new products, led to the profit warnings and Mr Zabriskie's departure.

Air Salisbury's departure will leave Mr Hassan's small board of directors almost entirely comprised of his Last week, Mr Hassan president of Pharmaceuticals Operations. Mr Rothwell is leaving Rhone-Poulenc Rorer, the French-owned USbased drugs company. RPR's parent, the chemicals company Rhone-Poulenc, plans to sell its chemicals arm and turn itself into a life-sciences company by making RPR its core business. Mr Rothwell. executive of Sandoz Pharma-

Other recent board-level changes at P&U include Rick Collier, who joined in December as chief legal officer, and Carrie Cox. who joined in August from American Home Products as vice-president of global business management. These changes leave Goran Ando.



Tim Rothwell: recently appointed head of P&U pharmaceuticals operations

head of research and development, as the sole board member from before the

Mr Ando, a former executive with Glazo Wellcome,

the UK pharmaceuticals company, has already been tives in P&U's decentralised promoted under Mr Hassan structure, intended as a comto have sole responsibility promise between the interfor research and develop-ment. Previously it was

and other factors such as doing exactly what the con-

the organisation - in effect

sultants allege it has been doing since the early 1990s.

tricky problem for AC -

what if the arbitrator allows

it freedom but at too high a

price? The AC partners may

not relish reduced earnings

to pay for freedom, and a

flotation may not be the

answer - Mr Shaheen denies

Given the pitfalls, there

must be a chance that a deal

can be struck. A long dis-

pute will damage both par-

ties. The widespread view is

that AC's booming revenues

give it a window of opportu-nity in which damage can be

sustained. But it must want

to continue investment, and

the dispute also knocks its

reputation for management

efficiency. Meanwhile, AA

must want to get stuck in to

opposition as big mergers

transform the sector - it will

it is even on the agenda.

But there is an equally

AMERICAS NEWS DIGEST

NationsBank fails to impress

NationsBank, the third largest US bank with \$311bn in assets, announced yesterday it would integrate its acquisition of Barnett Banks, the largest bank in Florida, more slowly than expected.

The news, which accompanied annual results showing a rise in profits of 30 per cent, led to a sharp fall in Nations-Bank's share price. While the results were broadly in line with expectations, the market appeared to be unnerved by the delay in cost savings from Barnett, and by early afternoon the bank's shares were down \$2%, or 8.61 per cent.

Net income rose 30 per cent to \$3.08bn for the year. However, the heavy issue of stock to finance the \$9.7bn acquisition of Missouri-based Boatmen's Bancshares, completed early last year, meant that earnings per share rose only slightly from \$4 to \$4.27.

The bank still estimates total savings from the \$15.5bn acquisition of Barnett at about \$900m. These are projected to enhance earnings per share in 1999. However, only \$300m in savings will be realised this year, compared with the original estimate of \$450bn. The remainder of savings will be made by the middle of next year.

NationsBank said Barnett would be converted to its platform of distribution and retail products only in the last few months of this year. This year it will focus instead on integrating Boatmen's and the rest of the bank's operations in the mid-western states. -

NationsBank said cost savings from the Boatmen's equisition had already beloed its efficiency ratio, with administrative costs as a proportion of revenues improving from 55 per cent to 53.8 per cent.

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SOFT DRINKS

PepsiCo to test non-cola brand

PepsiCo, the US soft drinks company, plans to test market a lemon-and-lime drink called Storm in the US this year, introducing a new brand to a category dominated by Coca-Cola's Sprite and Cadbury Schweppes's 7-Up.

The move will intensify competition in the US market for fruit-flavoured non-cola drinks following last month's announcement that Coca Cola had agreed to buy Orangina, an orange flavoured fruit juice drink, from France's

Pernod Ricard group.
It also comes as Cadbury Schweppes of the UK is revening its poorly-performing 7-Up brand in the US, giving it a sharper, stronger, lemon-and-lime flavour and new packaging, backing the relaunch with a big advertising campaign.

Other recent moves in the non-cola category include Coca-Cola's launch last year of Surge, a citrus flavoured drink that competes with PepsiCo's Mountain Dew. PepsiCo already has a lemon-and-lime drink in markets

outside the US, where it owns the 7-Up brand. But in the US, where 7-Up is owned by Cadbury Schweppes through its Dr Pepper/Seven Up subsidiary, PepsiCo has had nothing to offer in the category apart from a lemon-and-lime variant of its small Slice brand.

PepsiCo said fruit-flavoured non-cola drinks were one of the fastest growing soft drink categories in the US, and it hoped that a stand-alone lemon-and-lime brand would enable it to build up a bigger share of the market. Testing is expected to take place in several US markets in the Richard Tomkins, New York

Hilton to double Garden Inn chain

Hilton Hotels plans to double the number of mid-priced Hilton Garden Inn Hotels to 200 by the year 2000. Hilton, one of the largest hotel companies in the US, entered the market for budget-conscious business travellers in January 1996 with the Garden Inn concept. At that time it planned to have 100 hotels open or in development by 2000, but with booming demand for rooms - which cost \$75-\$95 a night on average - Hilton reached its target by the end of last year and decided to expand its effort.

with \$720m buy

By Nikki Talt in Chicago

Federal-Mogul. Michigan-based automotive parts supplier, is to acquire Chicago-based Fel-Pro. the group since the arrival of which makes diesel engine Mr Snell, a former Tenneco parts and gaskets, for \$720m. The deal comes on the heels of Federal-Mogul's push into retail outlets. £1.5bn purchase of T&N of

Fel-Pro put itself on the market last year. The pri-reduced the workforce by vately owned company, based in Skoklep and founded in 1918, has annual made its ambitious bid for sales of about \$500m and the larger T&N group. That employs 2,700. Profits before interest and tax are about tory clearances. \$80m. Gaskets account for the lion's share of its turnover, with annual sales of

Yesterday, Federal-Mogul said that the acquisition, coupled with the T&N deal, would help augment its product line and give it a

\$1bb global sealing business. Richard Snell, Federal-Mogul chairman, said the purchase should add to earnings in 1999, although he admitted that it might be although possibly not via "slightly dilutive" in 1998. Some analysts suggested that next year's earnings 20 cents share, a figure Mr Snell said he was comfort-

He said it was "possible" within Fel-Pro, which includes à chemicals unit making lubricants, adhesives and epoxy/urethane materials, might be sold.

Federal-Mogul estimated that annual synergies of \$35m would be possible by

The deal is the latest by executive. In late 1996. He abandoned his predecessor's closed non-core operations, realigned European manufacturing operations and

almost 3.000. In September, the group deal is only awaiting regula-Federal-Mogul is offering

\$225m in its shares and \$495m in cash for Fel-Pro. The T&N deal is set to increase its gearing, which the Fel-Pro deal will push higher in the short-term.

However, it has already signalled plans for a big equity offering. Mr Snell said the aim was to bring the debt-to-capital ratio back to the "low 40 per cent" range, one single equity offering.

Analysts have been supportive of the revamped approach at Federal-Mogul. Ron Tadross, at Salomon Smith Barney, said that "strategically, the deal makes a lot of sense", some smaller operations although he noted that "obviously financing is an

Federal-Mogul shares jumped almost 5 per cent, or AA may claim an extension. settlement may also be \$1# to \$41%.

Federal-Mogul | Andersen bad blood spells expands further a difficult path to divorce

Dispute over consulting arm's desire to split could last years

\$11bn stakes. Andersen L Consulting has made its first, stunning, move. Now Arthur Andersen is pondering a reply. Unless they agree a draw the world's biggest professional services organisation could be locked in dispute for years.

While the two firms - in fact two separate businesses under the umbrella of Andersen Worldwide - may have been in open dispute over competition and governance for some time, there is no doubt that Andersen Consulting's decision on December 17 to seek a complete split stunned Arthur Ander-

George Snaheen, AC's world managing partner, announced before Christmas that parmers had voted to take the dispute to arbitration at the International Chambers of Commerce in Paris. He was seeking complete freedom for AC from and give the consultants that a full-blooded dispute all contractual obligations to AA and AW.

arrived at AA, with 250 ferences" between the firms its own consulting business. response but the timetable is

I t's a game of chess with with 8,000 claims since it rights to the Andersen name was set up in 1923, can deal with them in about nine months. But lawyers point to a case begun in 1990 which is still running. The case will be heard by a single arbitrator whose decision is bind-

> games if the case goes the distance? The most likely is that AC will walk free, but at a price. At present AC pays around \$150m a year in subsidy to AA - the organi- created. AA may argue the. sation which created it back accords were informal and

ger functions properly, and that therefore AC should not have to pay anything for broke guidelines agreed under the "Florida Accords" of 1989 - just after AC was.

software and methodologies.

sultants will allege that the

organisation has effectively

ceased to exist as it no lon-

Lawyers believe the con-

The most likely endgame is that Andersen Consulting will walk free, but at a price for its freedom

in 1989. Jim Wadia, giobal ad of AA, went to the fateful San Francisco meeting and offered to freeze the payment at around this figure freedom of governance

The 50-page claim soon alleged breach of contract organisation it has to pay to any evidence that disharleading to "irreconcilable dif- compensation of 1.5 times mony had been caused by net revenue around and accused AA of planning \$11.5bn. This is the most AA a "dramatic expansion" in could hope for - while around \$2bn would perhaps What next? The ICC's be the least, the amount International Court of Arbi- \$150m would service in tration allows 30 days for a terms of debt. But AC may flexible. Lawyers argue that for much less. The size of the The court, which has dealt affected by disputes over

only applicable to the US. Mr Wadia has told the coosultants that AA has rights and it intends to protect them. His problem may be would simply help the conwithin AW. The offer was sultants' argument that the organisation cannot function arrived at AA, with 250 Under Andersen's rules, if properly. But lawyers say pages of evidence. AC a firm wants to leave the the arbitrator would be alert AC's tactics rather than breach of contract by AA. The length of time AC has

> been preparing its case may also be an issue. AA has a tricky strategic decision to make if the dispute drags on. It may feel it has to start expanding its preparation for AC leaving

need money to invest in the sbort term. ut the entrenched positions look very solid, Bad blood and public anger make a deel difficult to engineer. AC wants freedom at a low price, while AA wants recognition that it helped to build AC from a three-partner unit established in 1954 into a giant of

the consultancy sector. At present the game seems to be heading for stalemate

Jim Kelly



Notice of Annual General Meeting

The Shareholders of Perstorp AB (publ) are hereby invited to attend the Annual General Meeting to be held on Saturday 31st January 1996 at 10.00 am (Swedish time) at Persoanden, Perstorp AB's employee centre in Perstorp, Sw

1. Election of Chairman to preside at the Meeting.

2. Preparation and approval of a voting list. 3. Election of two persons to approve the minutes

4. Examination of whether the Meeting has been properly convened

on the Group.

6. Consideration of resolutions in respect of the following:

(a) the adoption of the Parent Company Income Statement, the Parent Company Balance Sheet, the Consolidated Income Statement and the Consolidated Balance Sheet: (b) the appropriation of the Company's profit according to the adopted Balance Sheet; and

(c) the Directors' and the Managing Director's discharge from kability.

7. Determination of the number of Directors and deputy members of the Board and Auditors

8. Determination of the fees for the Board of Directors and the Auditors.

9. Election of the Board of Directors and the Auditors

10. The Board of Directors' proposed amendments to the Articles of Association that the financial year of the Company be amended to embrace the calendar year (§ 9): that § 10, first paragraph, shall be amended by the following wording: "General Meetings of the Shareholders shall be held either in Perstorp, Helsingborg or Malmo."

In order to take part in the Annual General Meeting, Shareholders must be registered in the Shareholders' Register maintained by the Swedish Securities Register Centre (Vardepapperscentralen VPC AB) not later than Wednesday 21st January 1998. Shareholders who

have placed their shares in trust must temporarily re-register the shares in their own names to allow them to participate in the Meeting. A Shareholder must inform the trustee thereof in good time before Wednesday 21st January 1998. A Shareholder may attend and vote at the Meeting in person or by proxy. However, in accordance with Swedish practice the Company does not send forms of proxy to its Shareholders. Shareholders wishing to vote by proxy should submit their own forms of proxy to the

Notification of intended participation at the Annual General Meeting must be given to Perstorp AB not later than Tuesday 27th January

by telephone, by calling (00) 46 435-37850 (direct line); or by mail, addressed to Perstorp AB, SE-284 80 Perstorp, Sweden

The Company will confirm recept of notice of participation by sending an admission card to be shown at the Meeting. This confirm will also include a detailed description of the most suitable route to Persgarden.

The complete proposal of the Board of Directors regarding the amendments of the Articles of Association will be made available for inspection by the Shareholders at the head office of Perstorp AB in Perstorp and at the offices of Enskilda Securities, Skandinaviska Enskilda Banken at 2 Cannon Street, London EC4M 6XX from Enday 23rd January 1998.

The nomination committee has informed the Company that it intends to propose that the General Meeting elects eight Directors and re-elects as members of the Board Gunnar Brock, Ake Fredniksson, Christer Gardell, Firin Johnsson, Carl Johan Wendt, Karl Lennart Wendt, elects as members of the Board Gunnar Brock, Ave Fredingson, Gunster Galdes, Fill Series elected.

Withelm Wendt and Gosta Wiking, Carl Henrik Wendt has declared that he does not wish to be re-elected.

The nomination committee, which consists of Gosta Wiking, Charman of the Board, Carl Herink Wendt, Deputy Chairman, Sven Hägströmer. Chairman of AB Custos, and Thomas Halvorsen, President of the Fourth National Pension Insurance Fund. has sequed the support for its proposal from shareholders representing more than 50% of the votes as well as capital.

The Board of Perstorp AB

d under the Securities Act of 1933 and may not be offered or sold stration or an applicable exemption from the registration recu

HEIDELBERG

Heidelberger Druckmaschinen Aktiengesellschaft

Heidelberg, Germany

Initial Public Offering 8,938,000 Ordinary Bearer Shares Issue Price: DM 96.00 per share

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COMINERZBANK AKTIENGESELLSCHAFT DEUTSCHE

Global Underwriting Syndicate

MORGAN GRENETIL

United States Selling Group

COMMERZBANK CAPITAL MARKETS CORPORATION

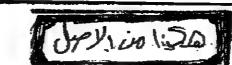
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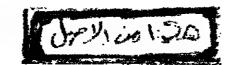
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COMPANIES AND FINANCE: EUROPE

Skanska seeks buyers for forest holdings

By Greg McIvor in Stockholm

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se it's bank with solling it would in personal its solling in Florida. Skanska, Sweden's largest construction group, is stepping up its non-core asset disposal programme by seeking buyers for its Swedish forest holdings, in a sale esti-SKr1bn (\$125m). -

The company said it had asked Handelsbanken Maring arm of Svenska Handels- disposal. banken, to arrange a

valuation of 45,000 hectares executive of Custos, a Stock-

lude to a sale. Skanska has been divesting non-core assets to concentrate its operations on construction and to fund ska's expansion outside Sweden. Last year it sold a SKr10bn

mated to be worth about stake in Sandvik, the Swedish engineering group. A 20 per cent voting stake in SKF, the rolling bearings manukets, the investment bank- facturer, is also slated for

of land. This would be a pre- holm investment company which is Skanska's largest shareholder, said the withdrawal from forest ownership would "be part of Skanclarification programme to get a more

> focused asset structure". Custos has been pressing Skanska to accelerate the disposals process. One of the company's directors predicted last month that most

mated SKr2.3bn - would be or two buyers. Assilboman the end of the decade. This sold by the end of 1998. Mr Gardell is keen for estry groups, had both

Skanska to cut its property expressed interest. portfolio, which is thought suggested this could be achieved by offloading part of about SKribn. of the group's managed prop-

of Skanska's investment sell the forest assets, located 40 per cent of the London-Christer Gardell, chief portfolio - worth an esti- in southern Sweden, to one quoted group's equity before times operating earnings.

and MoDo, the Swedish for- would trigger an outright

to have a market value of value of SKr320m but are SKr20bn-SKr25bn. He estimated by forestry analysts to carry a market value

erty holdings, which have a a 7.6 per cent stake in UK combined rental value of rival Costain. Key Skanska investors expect the com-Skanska said it hoped to pany to call options covering

bid for Costain.

 SCA, the Swedish forestry The holdings have a book group, has strengthened its international hygiene paper operations by acquiring Marpo, the Spanish tissue company. Marpo, Spain's Skanska last year acquired largest supplier of private label tissue products, has annual sales of about SKr550m. The purchase price was not disclosed but SCA said it had paid about six

tronics manufacturers, as it already controls Telrad and

Tadiran. Analysts say the

acquisition of ECI could

pave the way for a consolida-

tion and rationalisation of

arguments that such consolidation

would be anti-competitive.

He also brushes off the cam-

paign against concentration

in the Israeli economy spear-

headed by David Tadmor,

Mr Tadmor is taking a

close look at Koor's 50 per

cent ownership of Mashav,

its building and infrastruc-

ture arm, since the other

half is controlled by Clai

israel, the country's second

biggest conglomerate. He

plans to force the two to end

their joint ownership within

four years. Koor is trying to reach agreement with Clal.

An antitrust investigation

into allegations of a price-

fixing scheme between Tadi-

Israel's antitrust commis

r Kolber rebuts

EUROPEAN NEWS DIGEST

Seven seek GAN unit sale details

Seven companies, five of them French, have expressed an interest in buying the state's 67 per cent stake in GAN unit CIC and applied for details of the proposed disposal, according to officials close to the sale. The French candidates are Banque Nationale de Paris, Société Générale, Crédit Commercial de France, Dexia and Crédit Mutuel. The two foreign banks are ABN Amro of the Netherlands

and Generale de Banque. Firm offers have to be submitted by February 23, according to the sale documents. GAN, the insurer, is also to be sold and arrangements for the privatisation are expected by the end of next month. AFX News, Paris

Car systems sale agreed

Philips, the Dutch electronics group, yesterday finalised the FI 1.4bn (\$683m) sale of its car systems business to Mannesmann of Germany. The transaction will be completed in two steps, with Mannesmann initially taking 100 per cent of the larger activities of Philips Car Systems in Germany and the US, as well as 65 per cent of the remain ing worldwide activities. The balance would be acquired by Mannesmann within two years, Philips said. The group announced plans to sell PCS in October, saying the move fitted with its strategy of focusing on core activities. It described Mannesmann and PCS as a good fit and said it would help the division become a leading first-tier supplier to the car industry.

HDP completes Valentino buy

HDP, the Italian industrial holding company controlled by some of the country's largest private groups, has completed its \$300m acquisition of Valentino, the Italian fashion house. HDP, in which the Fiat automotive group is the largest shareholder with 16 per cent, expects the acquisition to reinforce its textile and clothing activities and its efforts to expand in the luxury goods business. Valentino Garavani, the fashion designer, and Giancarlo Giammetti, his business partner, will acquire a 2.4 per cent stake in HDP for \$35m as part of the deal. Mr Giammetti will also join the HDP board. Paul Betts, Milan

■ DEUTSCHE TELECOM

Newspaper predicts lower profits

Deutsche Telekom has refused to comment on a newspaper report that its profits for last year would be significantly lower than expected. A report in Welt am Sonntag said 1997 profits would be below DM4bn (\$2.2bn), compared with expectations of DM5.5bn.

The newspaper said the shortfall came from an overspend on the purchasing of materials and services, the loss of big business customers, missed cost-saving targets through job reductions, over-optimistic valuation of company property in eastern Germany, squeezed profit mar-gins in the mobile phone business due to increased competition and excessive spending on consultants. Deutsche Telekom vesterday faced stiff criticism of the charges it levies on customers wishing to change to rival telephone companies following the liberalisation of the German telecoms market at the start of the year.

Frederick Studemorm, Berlin

New owners to widen Koor's horizons

A shift of strategy by the Bronfman family puts it into the upper echelons of corporate Israel

laridge israel, the investment arm of the Charles Bronfman family of Canada, has a reputation in Israel for making quick profits through short-term investments in high-growth companies. So when it took control last year of Koor Industries,

israel's biggest conglomerate, the business community was a little surprised at the sudden strategic shift. And as Koor enters the

new year under new ownership, it may find itself in transition as well. "We will be focusing more

on higher-growth business and less on lower growth businesses," says Jonathan Kolber, the new deputy chairman of Koor and the president of Claridge Israel. We're going to be looking [more] at export versus domestic, currency exposure. financing exposure and cyclical trends. We're going to look at a mix of technologles and growth that maximises what we think we can do with Koor."

Claridge will need to adapt its business strategy to Koor, a conglomerate which focuses on telecommunications, agrochemicals and construction and accounts. for 7 per cent of Israeli GDP. Koor had not income of \$180m on revenues of \$2.78bn in the first nine months of 1997, with exports making up 41 per cent of total sales.

His office is directly across

from that of Benjamin Gaon. Koor's veteran chief executive and the man who rescued Koor from near-bankruptcy in 1988, returning it to profitability and to a \$120m offering on Wall Street in 1995.

According to Mr Kolber who is Koor's first outside shareholder to take an active Montreal-born Mr Kolber management role - the strais from a new generation of tegic plan Mr Geon crafted Israeli businessmen stepping for the company in 1997 is

into the upper echalons of likely to be reformulated and presented in New York soon.
"We accept - in very broad strokes - his plan to rid Koor of non-strategic holdings, or what we call redundant assets," says Mr Kolber. "We're going to continue to do that, but I think we will do it a little more

aggressively, and with a bit

Jonathan Kolber, deputy chairman of Koor (left), is to reformulate plans by Benjamin Gaon, veteran chief executive

more focus." While Koor trims the fat – as it did by recently selling Shemen, which makes edible oils, for \$25m - the new own-

helm, Koor is planning to analysts have said ECI ufacturer which bad net the latest financial year income of \$93m on revenues of \$491m in the first nine in that region. months of 1997. It may take a controlling stake.

ECI via a share exchange with Claridge was recently ership has already moved to postponed pending the Israel's three biggest tele-

strengthen its operations in release of the company's electronics and telecoms, results for 1997. The comone of Israel's strongest sec- pany will re-evaluate the tors. Since Claridge took the terms of the deal, since some buy into ECI Telecom, a which generated 19 per cent leading Israell telecoms man- of its income from Asia in may be affected by the crisis

So far, Koor is not considered vulnerable, since it But the planned acquisi-tion of the first 10 per cent of European markets. In any case, if Koor takes control of ECI, it will hold stakes in

ran and Telrad dating back to 1987 is also under way. "Israeli companies need to compete in world markets, and the commissioner told us he is in favour of export companies merging if its doesn't hurt the Israeli consumer," says Mr Kolber. "We

> Avi Machlis and Judy Dempsey

have to be big to compete

globally, or else we're lost."



SCOTIAMOCATTA - A CAPITAL SOLUTION.

Scotia Capital Markets is pleased to announce the integration of its bullion and base metals businesses with those of The Mocatta Group.

The acquisition of The Mocatta Group, one of five members of the London Gold Fixing and a Ring Dealing member of the London Metal Exchange, positions-Scotia Capital Markets as a world leader in the bullion and base metals businesses. The Scotiabank Group offers Scotia Capital Markets and ScotiaMocatta clients a full range of investment banking, corporate banking and bullion and base metals products and services.



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Scotia Mocata 🗐

CAPITAL SOLUTIONS FOR GLOBAL MARKETS

The Scotia Mocatta trademark represents the ballion and base metals businesses of The Bank of Nova Scotia, operating under the marketing name of Scotia Capital Markets. Capital Markets trademark represents the capital markets businesses of The Bank of Nova Scotia, ScotiaMcLeod Inc. and Scotia Capital Markets (USA) Inc. - all members of The Scotiabank Group.

WER KLEINWORT SELEN

COMPANIES AND FINANCE: EUROPE

Hagemeyer upbeat on Asia-Pacific

Hagemeyer expects to show an increase in profits from Asia-Pacific for last year and in 1998 in spite of regional economic upheavals, according to Andrew Land, chairman of the Dutch trading company.

The improved result was made possible by recent cate of banks acting for First acquisitions which would Pacific. Hagemeyer is being this year bring revenues from Asia to 23 per cent of which is assessing a plan for the group total, from a previous 15 per cent. Sales world- about 10 per cent of its wide were on course to rise by at least Fl4bn (\$1.95bn), after a year in which the outperformed the market company broke through the

The group intends to buy back a quarter of the 40 per ded its issued capital by cent stake in Hagemeyer which First Pacific, the the issue of 4.89m shares to Indonesia-controlled Hong conglomerate,

tional equity offering sched- computer products with uled for an Amsterdam annual sales of Fl 2.5bn. listed company this year, First Pacific's F13.3bn holding is to be placed by the end of March. Hagemeyer shares yesterday slipped F12 to Fl 79, against a 2.4 per cent decline in the AEX

index of 25 leading issues.

ING Barings and UBS are to form the core of a syndiadvised by ABN Amro, the company to repurchase

equity.

Hagemeyer had strongly until recent months, with the stock peaking last year at F1122 Last year it expansome 13 per cent, including First Pacific. This was in return for the takeover of Tech Pacific, an Australiabased regional distributor of

A further 7m shares were placed in September at Fl 106.50, largely to fund the purchase of Asea Skandia, a supplier of electrical materials in north-west Europe, from the Swiss-Swedish Asea

control of HCL, a Hong Kong based electronics group. Europe would account for 57 per cent of Hagemeyer's sales this year, said Mr Land. A main goal would be to increase from 20 per cent its exposure to the Americas,

Brown Boveri. A year ago

the company moved to full

Within the Netherlands he is interested in a merger with the paper merchanting and office products division of KNP BT.

we would like it to be".

Hagemeyer expects earnings per share for last year cent above the Fl 6.72 in 1996, and to sustain that In the biggest interna- telecommunications and growth in the current year.

Adidas pledges to limit job losses

Louis-Dreyfus yesterday pledged that the FFr8bn (\$1.3bn) acquisition of Salomon, the French ski and golf equipment com-pany, by Adidas, the German sportswear group of which he is chairman, would lead to no significant job losses. the eve of Adidas's public offer for the Salomon shares it does not already own. The offer - of FFr521.50 a share is scheduled to run until

Adidas already owns 39 per cent of the French group's capital and 56 per cent of voting rights following the acquisition of the Salomon family holding company in December.

Mr Louis-Dreyfus acknowledged that the deal - at more than 37 times Salomon's net profit per share



- was "fully priced and even a bit more".

He also admitted the transaction would mean a drop in earnings growth in 1998. However, this would remain in the region of 20 per cent and should rise to more than 20 per cent the following

The companies hope to exploit Adidas's expertise in sportswear in fields such as mon has a strong reputation

Mr Louis-Dreyfus also believes Adidas can benefit from Salomon's focus on research and development. The deal will make Adidas the world's second biggest

sports goods manufacturer after Nike of the US. Under Mr Louis-Dreyfus's leadership, Adidas has adopted a more aggressive

marketing strategy to match rivals Nike and Reebok. with a DM2.1bn (\$1.2bn)

EUROPEAN NEWS DIGEST

Lindt & Sprungli buys Ghirardelli

Lindt & Sprungli, one of Europe's oldest chocolate nannfacturers, has become the second biggest producer of high quality chocolate in the US by acquiring San Francisco's Chirardelli Chocolate Company. Chirardelli was founded in 1852, six years after Lindt & Sprungli,." employs 500, and has annual sales of \$100m.

The announcement of Lindt & Sprungli's expansion in the US, where it wants to be market leader in the niche quality chocolate market, overshadowed a warning that its 1997 profits would be lower than expected. Group sales ose 5.1 per cent, to SFr1bn (\$677m), primarily because of a drop in sales in France and Germany, two of its three piggest markets. It blamed "generally conservative consumer moods and above average temperatures" in the sec and half of 1997.

Increased marketing costs and a one-time charge for the transfer of production from Chur to Kilchberg in St land led to a weaker operating profit margin. In a bid to reduce its dependence on the Swiss. German and French narkets, which take 70 per cent of its output, Lindt & Sprungli has been expanding rapidly in the US by opening its own retail outlets. Following the acquisition of Ghirardelli, it will rank second in the market alongside Godiva

Komercni Banka raises provisions

Komercni Banks, the Czech Republic's biggest bank, yes terday said it would make Kč3.5bn (397.58m) of new provisions in its 1997 accounts, but it still expected to make a profit. The bank, which is 48.7 per cent state-owned but. set for full privatisation, said a revaluation of real estate properties used as collaieral for loans had shown the need for Kč10.5bn of additional provisions. It said it would cover this by taking Kč7bn from existing provisions for general banking risk and by creating Kc3.5bn of new pro-

As of September 30 1997, Komercni had Kč18.6bn of pro visions to cover overdue loans. However, no interest had been paid for more than a year on Kč55bu of them. Under western banking regulations these loans would have to be fully provisioned against, but Czech regulations allow banks to subtract collaboral from their provisioning

Net profits fell 68 per cent in the first nine months of last year to Kč1.82bn and it made Kč4.8bn of new provisions. In 1996 it made full-year profits of Kc5.38bn after creating reserves and provisions for loan losses of Robert Anderson, Prague

■ STEEL INDUSTRY

VSZ takes stake in DAM

VSZ, the Slovak steel group, has paid a nominal \$1 for 68.15 per cent of the troubled Hungarian state-owned steelmaker DAM. VSZ paid another \$1 for DAM's Ft2.8m. debt to the Hungarian state privatisation company APV. The Slovak company has agreed to make a capital injection of Ft4.5bn (\$21.8m) in three steps, comprising an immediate payment of Ft2bn, another Ft1bn within 180 days and a final Ft1.5bn within 15 months. APV will inject an equal sum in fresh capital at the same time as the VSZ

BRE reports record profit

Poland's Export Development Bank (BRE), which is 48 per cent owned by Commercbank of Germany, has reported a record 146.3m złotys (\$41m) net profit for last year - a 27.5 per cent increase on its 1996 net earnings.

The result came on 54 per cent growth in the bank's balance sheet to 6.3bn zlotys and a 72 per cent rise in deposits, while lending to clients rose 44 per cent. The slow lending rate and a doubling of the bank's capital to 815m zlotys saw BRE's capital adequacy ratio grow from 12 per cent in 1996 to 15.5 per cent at the end of last year. Commercial and investment banking activities now account. for the bulk of its earnings.

■ ALCATEL ALSTHOM

Stake raised in joint venture

French engineering group Alcatel Alsthom said yesterday it had bought a 49 per cent stake held by Sprint Corp of the US in their joint venture company, Alcatel Data Networks. No value was given for the deal. Alcatal Data Net works specialises in data transmission and cellular technology and was created by Alcatel and Sprint in 1993.

■ IMPORT INSPECTION

Ivory Coast renews SGS contract

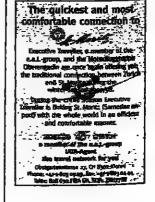
Société Générale de Surveillance, the world's biggest test ing and inspection company, has had its import inspec tion contract renewed by the government of the Ivory Coast for another two years. It is the third new contract for SGS in the last month and suggests foreign governments have not lost faith in the company in spite of its recent admission that it paid a substantial fee to a Genev lawyer to start up a pre-shipment inspection programme for the Pakistan government. SGS lost that contract last year following a change of government. Last month Tanzania awarded SGS an exclusive mandate to check all goods entering the country and the Cameroon government also renewed its contract with SGS. SGS shares were one of the worst performers on the Swiss stock exchange last year and have continued to fall this year because of concerns about the company's exposure in

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Interest Amount due on April 14, 1998 per USD 24,285.72 USD 376.26

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indeed, in today's markets, global and local are inseparable. Global management necessitates on-the-ground knowledge of local opportunities. Local investment requires an intensive understanding of global economic and market trends. Both must be delivered through a single, disciplined investment process.

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Deutsche Bank acquires Baillieu

Deutsche Bank has acquired the business of EL & C Baillieu, one of Australia's oldest corporate finance and stockbroking companies, for an undisclosed sum, the German bank said yesterday.

The acquisition is the latest sign of growing interest among leading off-shore industry. It follows last month's purchase by the

WorldCom, the fast-expanding US

telecoms operator, is considering

entering the Japanese market when

rules restricting foreign ownership

of telecoms carriers are lifted this

WorldCom, which last year won a

hotly contested battle for MCI, the

US long-distance operator, is expec-

ted to launch domestic and interna-

Zealand operations for examining potential candi-A\$116m (US\$75m) and, dates for acquisition, he before that, the acquisition of the Australian broker Rivkin Croll Smith by Toronto-Dominion Bank and Merrill Lynch's merger of its Australian operations with McIntosh Securities.

Klaus Albrecht, chief executive of Deutsche Bank Group in Australia, predicted there would be furbanks in Australia's broking ther mergers and acquisiand investment banking tions in Australia's finance sector amid growing competition and rationalisation. Dutch bank ABN Amro of Other leading international BZW's Australian and New investment banks were

users by building its own fibre-optic

facilities. Such a move would be the

first entry for a foreign carrier into Japan's Y13,400bn (\$102bn) domestic

market, one of the largest in the

the plans to enter the Japanese mar-

ket. However, Takehiro Ikeuchi,

president of WorldCom Japan, said:

There is no foreign telecoms opera-

The company would not confirm

said. "This rationalisation will go on, and I would not be surprised if that included some of the investment houses in London and New York looking at Australia."

Deutsche Bank, however, was not planning further acquisitions in Australia. The German bank would remain in the wholesale banking business and financial markets there, and was unlikely to expand into retail banking, Mr Albrecht added. The acquisition of the 109-year-old Melbourne-based

WorldCom eyes entry into Japanese market

entering such a big market."

Liberalisation by the Japanese

government is expected to attract

foreign telecoms carriers looking to

take a slice of the lucrative Japanese

market. In particular, the deregu-

lation of simple international resale

unveiled last month and the lifting

of restrictions on foreign ownership

of Type One telecoms carriers which

own their own networks, are expec-

sche Bank's corporate finance presence in Australia and strengthen its service offering investment and corporate banking to large Aus-Clive Smith, chief execu-

tive of Baillieu, will become deputy chairman of DMG Australia. Mr Smith said the deal would meet the growing needs of clients for "ready access to the international capital markets".

The acquisition will involve the integration of Baillieu's corporate finance

investment banking arm Initially, Deutsche Bank had planned to integrate Baillieu's stockbroking arm into its Australian operations. However, Mr Albrecht said this would have entailed sig nificant "loss of jobs".

Baillieu's existing stockbroking business will be conducted under the ownership of its executives and ander its original name.

However, the two compa nies share many blue chip clients and are likely to co-operate closely, said ana-

With the liberalisation of interna-

tional simple resale, a US carrier

could set up a Japanese arm, lease an international line across the

Pacific and connect its network in

the US with its Japanese network.

By doing so it should be able to

bypass the Japanese link of the

international line and the settlement

charges it pays to the Japa

Waiver hits shares in Malay groups

Malaysian investors loned the shares of the politically well-connected companies Renong and UEM yesterday after authorities granted them special privi-leges which analysts said demonstrated the government's lack of commitment to institutional regulations and transparent corporate

The sell-off was so swift that the authorities of trading that they were suspending the companies' shares until Wednesday "to allow time for investors to digest the announcement on the latest development". In the 60 seconds before the suspension was announced, UKM plunged 30 per cent to M\$2.27 and Renong slid 28 per cent to M\$1.30.

The bottom just fell out weighed on investor senti-

of the share prices," said Jonathan Duckett, analyst at Paribas Asia Equity. That ent enough to result in a

2.85 per cent drop in the benchmark Composite Index to 477.57 points by the end

Malaysian authorities reallirmed at the weekend a waiver granted to UEM which excuses the road toll company from having to make a general offer for the remaining shares of its parent Renong. Regulations required the offer after UEM purchased a 32.6 per cent stake in the ailing Renong.

Investors abandoned the shares when the waiver was first announced in November, leading Anwar Ibrahim, finance minister and deputy prime minister, to revoke it. Authorities had been considering the matter ever since.

The URM deal, for which it had to borrow M\$2.4bm (US\$521m), was seen as a politically sanctioned and forced bailout of a heavily indebted parent company by

its subsidiary.

Renong is in effect controlled by the United Malays National Organisation, the nation's dominant political

ASIA-PACIFIC NEWS DIGEST

Nalco set for profits advance

group, will raise net profits to well over Rs6bn (\$151m) in the year to end-March compared with Rs5.02bn last year, according to analysts. The group lifted net profits 17 per cent to Rs2.425bn in the first half.

UBS Securities (India) said Nalco would earn net profits of nearly Rs6.2bn in the current year, lifting earnings per share from Rs3.52 a year earlier to Rs4.80. According to UTI Securities, profits will jump to Rs6.77bn. S.N. Johri, chairman, said: "There is no reason why

Nalco should not once again be earning net profits of over Rs6bn. The 1995-96 profits were Rs6.15bn. We are raising metal production by about 7,000 tonnes to 210,000 tonnes. Our alumins production will be up 63,000 tonnes to 870,000 tonnes. We are among the world's lowest-cost producers of alumina and our cost of production of the metal is nearly \$125 a tonne lower than the world average."

According to Mr Johri: "The group is the country's largest exporter of alumina and aluminium and it stands to benefit from the recent sharp fall in the value of Indian, currency. At the same time, the fall in the value of rupee and the raising of customs duty on aluminium ingots to 22 per cent from 10 per cent have made the task of selling the metal in the domestic market easier. Like last time, Nalco will be closing the current year with negligible.

Mr John said the group was awaiting the final set of overnment approvals for raising the smelter capacity by 115,000 tonnes to 345,000 tonnes and coal-fired power generation capacity by 120MW to 840MW on an investment of nearly Rs21bn. Nalco is implementing a Rs16.65bn project to double the bauxite mining capacity to 4.8m tonnes and raise the alumina refinery capacity to L575m tonnes from

SINGAPORE

Banks plan merger

Keppel Bank and Tat Lee Bank, two small independent Singapore banks, announced yesterday a proposal to merge, in what analysts said was an effort to form one large, strong financial institution that could compete

The banks said the Monetary Authority of Singapore had approved the planned merger, which would bring combined shareholders' funds to \$\$3bn (US\$1bn). Total esets of the combined group would exceed \$\$33bn.

The banks are involved in similar activities and both have finance companies as well as insurance and stockbroking businesses. Analysts said the authorities had: been encouraging a consolidation of the banking sector to strengthen it as part of a long-term strategy to boost global competitiveness. Sheila McNulty, Kuala Lumpu

SHIPPING

Cosco to combine units

China Ocean Shipping Company (Cosco) is to merge two units - Cosco Bulk Carrier and Tianjin Ocean Shipping to form a bulk carrier with assets of Yn20bn (\$1.5bn). The company will be based in the northern port city of Tlanjin and employ 11,000.

The merger is part of Cosco's efforts to concentrate on specific areas of business in leading Chinese port cities. The company said the next step would be an equity restructuring which was likely to involve a public stock Dow Jones, Beijing

PROPERTY

Metro Pacific to raise 14bn pesos

Metro Pacific, the Philippine property arm of Hong Kong-based First Pacific, said its board approved in principal s plan to raise 14bn pesos (\$194m) through a rights issue within the first half of the year.

In a notice to the Philippine Stock Exchange, it said proceeds would be used to retire a "significant portion" of the debt of First Pacific and fund the capital spending programme of its Smart Communications unit. Metro Pacific said First Pacific gave its "full support" to the issue and declared "its willingness to subscribe to its proportional share of any such issue". First Pacific was also willing to take up the full issue if other shareholders refused to join the offer, it said.

The terms will be determined by the management and underwriters, which have yet to be chosen by the

the hundreds of institutional clients and the following participants who together made our Sixth Annual Global Telecommunications Conference a tremendous success.

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Nextel Communications, Inc.

December 1-3, 1997

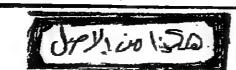
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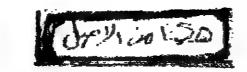
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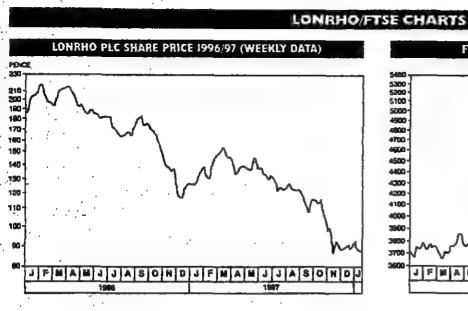
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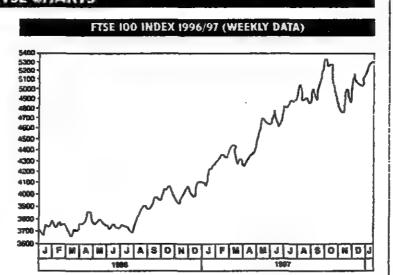


A letter from R. W. 'Tiny' Rowland

LONRHO-JCI How to value Lonrho shares in 1998

Lonrho will shortly present the results for the past year to the financial press. Lonrho's share price has under performed the FTSE-100 Index by more than 80% over the last 2 years. Lonrho is out of the Footsie-100 and today close to leaving the FTSE-250 Index.





Dear Lombo slaveholder,

Welcome to the second division. Poor performance - not the result of external factors but of management - must be the herald of fundamental change at board level, where the decisions were taken under chairman Sir John Craven and finance director Robin Whitten. Sir John Craven advised Lonrho when he was at Deutsche Morgan Grenfell and Robin Whitten was previously finance director of Slater Walker at the time of its collapse.

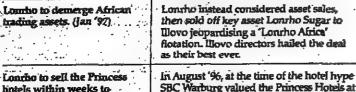
When I left Lonrho, the new board acknowledged that 'the magnificent legacy we enjoy today' was owed to my 'energy and vision' in starting or bringing in every one of the group's 800 companies worldwide (excepting Turiff). We went from £200,000 to a billion plus company. Today my shareholdings are far larger than the total shares held by the Lonrho board, and I feel free to put informed views before my fellow strareholders who are now repeatedly asked to ratify decisions which have, so far, led the company down the other side of the asset mountain, destination unknown. Looking at illadvised moves during 1997, Lonrho:

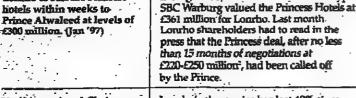
- continued to divest itself of investments producing earnings outside the sensitive African continent,
- undermined any 'Lonrho Africa' flotation by deciding to sell Lonrho Sugar, the best and by far the largest part of the original
- trapped the company for fifteen months in exclusive but dead-end negotiations over Lonrho's Princess Hotels,
- entangled itself in a series of proposals and counter-proposals from the enfeebled South Africa mining house of JCJ,
- failed to inform shareholders about changes in the company's strategy and policy.

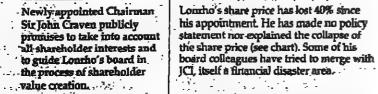
For performance versus promise, consider the stream of public announcements made by Lonrho's board during the past 3 years and their

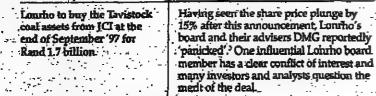
miture to reach any objectives:	
FORECAST	REALITY
Lourho to demerge into mining, hotels and trading, to establish the real value of Lourho's assets at up to 275p per share.	Analysts revise potential share value to 175-200p after destruction of shareholder value.

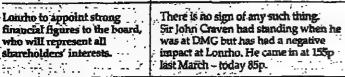
Lourno to demerge mining	Lonnho offered its best mine (LPD) to its junior partner, Gencor, on very poor terms for Lonnho.
Londing to float two hotel chains for \$200,6300 million. Heavy publicity given to the launch and to Loutho	Lonrho sold the Metropole chain (with its excellent Sterling cash flow) for a loss of £87 million in book value. Statis, the buyer, announced in November a 92%
appointees.	profit boost owed mainly to the acquisition of the Metropole Hotels.











Reuters, 4 December 1997 The Observer, 21 September 1997 Financial Times, 29 November 1997.

"Financial Times, 29 November 1997

jci - TAVISTOCK - LONISIO

Bearing in mind the demonstrable shortcomings of Lonrho's decision making, can shareholders believe that any variant of the proposed JCI -Lorrho structure will address the problems that our company has, or offer

'Lourho executive director Terence Wilkinson comments from Loudon: "I guess we'll wait a few days and then get in touch with Vaughan Bray. We did make an offer to JCI last month to which we have not really had a reply. As far as we are concerned that offer remains on the table."

SA FINANCIAL MAIL 9 IANUARY 1998

The present outline is that Loncho would make an offer for JCI which would result. it is said, in more or less buying in a controlling stake of 27% in Lonrho. JCI, however, does not own the Lonrho shares yet. They are going to swap their only two good gold mines for the shares and this deal will assist Anglo-American to disinvest from Lonrho - thereby satisfying the requirements of the European Commission - and also to bury the enormous hit Anglo took on their purchases of Lonrho shares. So far they have lost

We as Lourho shareholders are to buy something which has not yet been bought, from JCI which is itself in the utmost state of turmoil, and whose directors have detached their new chairman from executive duties reportedly because he had not conformed to the concept of corporate governance prevailing on the Johannesburg Stock Exchange. That chairman, Mzi Khumalo, is said to expect to join the Lonrho board in the

A very marked problem, as I see it, is that the Lonrho offer is reportedly for £300 million plus new issued shares. Any issue of new shares makes a mockery of the idea of 'buying-in' shares in the first place, and cancels any positive effect it might have on shareholder value. Neither the directors of Lonrho nor the directors of ICI have found it necessary to explain the contradictions. Mr Khumalo has deferred his obligations and said "my first report... as executive chairman, will not be incorporated into the Annual Report of the Company"! From what he has to say, the future of JCI itself is both confused and confusing.

"JCI's options range from a total break-up to reconstruction of all the assets under a new management team minus Khumalo and former partner Brett Kebble. It is difficult to envisage a future role for Khumalo, who has suffered a palace revolt by his senior executives and been effectively reprimanded by his board over the SMC deal*

SA FINANCIAL MAIL 9 IANUARY 1998

Yet another Lonrho-JCI entanglement of questionable merit is the plan for Lonrho to buy Tavistock Coal for cash from our new friends. Lonrho must be in love with JCL How depressing it is for shareholders to see all the company assets in Europe and the United Kingdom sold, and as their only reward from all the promises that have been made, watch most of the money raised sunk into another coal mine is South Africa while the dividends shrink. Can this be what all the 'restructuring' and 'de-merging' was for, and is this the long-awaited birth of the collective brain-child of Deutsche Morgan Grenfell and our board?

On closer examination, the logic for Lonrho to merge with JCI looks both theoretical and unstable. In my opinion, it will drag the share price down and tip the asset and management balance far too heavily to South Africa. Lonrho shareholders and investors should remember the danger of endorsing the appointment of anyone connected with Anglo-American to the Lonrho main board, bringing the influence of that elephant sized company to Lonrho's best assets: Lonrho Platinum and the Ashanti holding. The European Union may have ruled Anglo's stake in Lourho out of order but Anglo has lost more than a billion Rand investing in Lourho, and won't walk away. Anglo invented JCI, owned JCI, ran JCI, and their nominee to the JCI board has now stepped into Mr Khumalo's warm boots.

The outcome for JCI, with investors (including the unions, who are sizeable shareholders) reportedly furious over the terms and information on the 'shares for mines' swaps, is not certain.

"If Saflife wants to block the sale of the gold mines to Anglogold it should be able to. No date has yet been set for the shareholders' meeting."

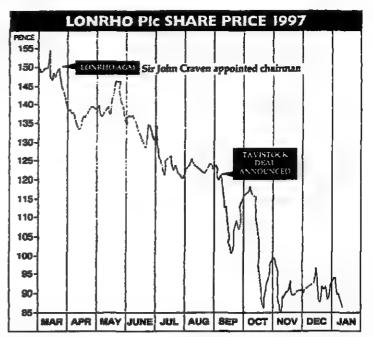
SA FINANCIAL MAIL, 9 JANUARY 1998

Anglo is back seat driving at JCI, but unable to vote its official 17.9% at the ECM where the decision to part with JCI's best gold mines in order to receive a controlling stake in Lonrho from Anglo (the present owner), must be ratified by JCI shareholders.

"Market sources indicate Saftife will also take a hard line on the terms of any Lourho merger. Lourho is out to acquire JCI on bargain terms and must bump heads with Saflife's executives, who want their money back out of the SA FINANCIAL MAIL, 9 JANUARY 1998

- As in so many recent cases Longho's board has started at the wrong end of the deal. Premature announcements and publicity come first, results for Longho shareholders are secondary.
- Will Lonrho's new chairman, Sir John Craven, put his name behind the Lonrito/JCI merger and convince Lonrho shareholders of the logic in putting the proceeds of asset sales that have gutted the company into coal mines in South Africa?
- Lonrho's board is talking about offering equity as part of a bid for JCL. The only reason given for the JCI deal is to buy back Lonrho's shares. Offering new shares would dilute the intention, leaving only a questionable JCI deal in which Lonrho would buy coal and Anglo's leftovers for an overvalue.

At Lonrho's last EGM shareholders recall their chairman Sir John Craven saying that he would do his best to create shareholder value, advising and leading the Lonrho team to do so. Will he comment on his performance as manifested in the chart of the Lonrho share price.



*While Sir John Craven was Chairman at Deutsche Morgan Grenfell, the owners Deutsche Bank had to support DMG with £380 million. While he has been chairman of Lonrho shareholders have seen £480 million wiped off the value of their company.

A strong protagonist of JCI on our board is Mr Wilkinson, the managing director of Lonrho S.A., who has now moved to London. Wilkinson is understood to be strongly in favour of a JCI/Lonrho merger and

is earmarked to be CEO of the merged group.

It was believed at first that Nairn (ICI's ex-CEO) left because of Khumalo's actions in dealing behind the backs of the ICI board; it now seems he was forced to clear the way for (Terence) Wilkinson to take over as CEO when the

SA FINANCIAL MAIL, 3 DECEMBER 1997

'However, Khumalo suggested that Lonrho SA chairman Terence Wilkinson could step in as CEO of the merged JCI-Lonrho company.' SA BUSINESS DAY, 15 DECEMBER 1997

Thumalo has said that as soon as a merger with Lonrho was effected, he envisaged Terence Wilkinson becoming CE and himself moving into a non-

SA SUNDAY TIMES, 21 DECEMBER 1997 Terence Wilkinson has pestered Lonrho for a Lonrho-JCI merger and subsequently for an overvalued coal deal with JCI.

• Will the Chairman assure Lonrho shareholders that Terence Wilkinson, given his clear conflict of interest in the JCI matter, will not be allowed to participate in negotiations with JCI or be allowed any vote on these matters? His ability to discharge his fiduciary duties to all Lonrho shareholders is more than in doubt if he is allowed to do so.

PRINCESS HOTELS

lust a short reminder of those promises:

'The announcement of our intention to float Lourho's Princess and the Metropole operations is further evidence of our efforts to enhance sharcholder value. Market conditions are currently attractive for the sale of hotel ussets and the Board believes that the flotation of Princess Metropole will be beneficial to shareholders of Lonrho.

SER JOHN LEAHY, THEN CHAIRMAN OF LONRHO.

While certain quoted companies will share some of these attributes (list of positive attributes relevant to the valuation) with Princess Metropole, there is no single UK quoted hotel company which encompasses them all...

Because of the importance of Princess to the group, it is also appropriate to look at US hotel valuation benchmarks... Metropole - 1996 Valuation: £326m, Princess - 1996 Valuation: £361m."

SBC WARBURG, AUGUST 1996

If press reports' were correct, then Lonrho's board, in the 15 months they have let the Prince bargain with them, has managed to lower the value of the Princess Hotels from SBC Warburg's target of £361m to a figure of £220m-£250m. Now that the dealings with the Prince are off. Lonrho's board has hired Deutsche Morgan Grenfell again to find them potential buyers for the Princess hotels. Millions and many millions are flowing out for 'advice' on basic commercial matters.

Lonrho's directors have not fulfilled their first duty to shareholders - that of

Lorutho's board has devastated shareholder value to a point where it is no longer acceptable. Did you know, for example, that Stakis, the small casino company which bought our Metropole Hotels now has a higher market capitalisation than Lonrho?

Everything that could be easily sold has been easily sold at poor prices. We are out of the United Kingdom and out of Europe and our two remaining assets in the Americas, Hondo Oil and the Princess Hotels, have the usual During the last months, non-performing directors of several UK companies

(e.g. Lonrho's non-executive director Stephen Walls at Albert Fisher Pic') have lost their positions or come under immense pressure for their

Our board is being led towards the unattractive JCI merger by South African director Terence Wilkinson, who has no relevant experience outside that country that I know of. My recommendations are:

● That in the light of Lonrho's three years' failure to perform, the board must shed the non-executive directors Walls, Harper, Leahy, and executive director Wilkinson, then review policy and strategy,

 and that any negotiations with the intention to acquire JCI should be brought to an end as soon as possible.

Yours sincerely

R. W. Rowland

P.S. Value by Market Capitalisation -

2 January 1996: £387 million

LONRHO 2 January 1996: £1,367 million 9 January 1998: £675 million 9 January 1998: £716 million

Congratulations Stakis! 12 January 1998

By Alice Rawsthom and

EMI and Sony, two of the front runners to buy Boosey music publisher and musical instruments manufacturer. are believed to have dropped out of the bidding.

Carl Fischer, the US mustc publisher that put Boosey up for sale in May after announcing plans to sell its 45.3 per cent stake, is understood to be keen to still sell the company to a third

But the withdrawal of EMI and Sony, two of the world's largest record companies and music publishers, may prompt Fischer to consider alternative proposals. These could include placing the shares on the stock market, or selling them to Boosey

Charles Abry, president of Fischer, refused to comment in New York yesterday on the slow progress of the proposed sale. Richard Holland, Boosey's chief executive, also declined to comment.

Boosey, which owns Rico reeds and Buffet Crampon flutes as well as the publishing rights to prestigious 20th century compositions by sky, attracted strong interest when it came up for sale.

The company's shares reached a 12-month high of £10.75 in August amid mounting bid speculation. They have since weakened, yesterday, thereby valuing Boosey at £152m.

Sir Colin Southgate, EMI's chairman, made no secret of his hopes of adding Boosey's classical catalogue to EMI's fast-expanding music publishing interests.

After months of attempting to start negotiations with Fischer, EMI is understood to have made an offer for Boosey late last year.

Fischer is believed to have rejected the deal, on the grounds that the price was too low. EMI, which would have sold off Boosey's musical instruments division, is thought to be unlikely to make another offer, unless Fischer is willing to accept a lower price.

Sir Colin, whose appointment as chairman of the Royal Opera House is set to be confirmed today, has formed a joint venture to buy Waterstone's, the UK bookshops, from retail group W.H. Smith with Tim Waterstone, the chain's founder.

Sony also emerged as an early contender to buy Boosey, and spent several months scrutinising the business. But it is believed to have decided last month for strategic reasons against making an offer.

PolyGram, the Dutch Rakhmaninov and Stravin- entertainment concern which has also been mooted as a possible purchaser for Boosey, declined to comment yesterday.

Other possible bidders are Yamaha or Steinway/Selmer, and slipped by 25p to 775p ers.

Deteriorating relations with Luton airport prompt revised offer

Easyjet bid for Air Holland

EasyJet. the UK low-fares

airline, is to submit a bid to acquire Air Holland, the Dutch charter operator, to establish a new hub in Amsterdam. Stelios Haji-Ioannou,

EasyJet's chairman, said he could submit a bid for the privately owned airline today. The move follows a deterioration in EasyJet's cussions with the company relations with London's yesterday, he planned to Luton airport, where most of submit a revised bid. its operations are based.

Mr Haji-Ioannou, who launched EasyJet in 1995, said last year that he was

Banana

venture

sees rise

at Fyffes

per cent last year.

ings to £15.1m (£13.5m).

base at Amsterdam's Schiphol airport, from which he could operate flights to southern Europe, He said he was interested

in Air Holland's seven Boeing aircraft and its Schiphol take-off and landing slots. Mr Haii-Ioannou said that he submitted a bid to buy Air Holland late last year but it was rejected as being too low. He said that after dis-

Mr Haji-Ioannou said he was also discussing co-operation with Air Holland which would not involve acquiring that it had complained to the

operate flights from Amsterdam to Nice, Barcelona and Air Holland has also

attracted the interest of Schreiner Aviation, which operates flights for other air-EasyJet was angered last year when Luton excluded

the airline from the list of companies bidding to run the airport. Luton expects to name a short-list of two bidders to run the airport in the next few days.

The airport said yesterday in private. Our future is

the company. He was inter-ested in using one of Air Authority about advertise-Holland's Boeing 737s to ments that EasyJet had placed in local newspapers. "Don't let them build the Taj Mahal on your airport", alleged that Luton's development plans were too ambitious and would make it dif-

ficult for EasyJet to operate. John Kingsford, the airport's marketing director, said Luton regretted having to complain to the ASA but it could not accept EasyJet's public allegations. Mr Kingsford said: "We would prefer such things were discussed



Lasting appeal: Margaret Eustace, an 83-year-old fruit seller, with Neil McCann at the Banana Development Com-Dublin market where she has been buying fruit for 40 years pany, was the main factor behind a 123.5m (\$4.89m)

David McCann, chief increase in operating profits from associated undertakexecutive, said the sale of Geest's Costa Rican Pre-tax profits for the year to October 31 rose to plantation had enabled the business to improve dollar 1254m (1248.5m). Turnover banana purchasing for sale to the European markets. grew 2 per cent to I£1.46bn This had offset a shortage of

Windward Islands crop for the UK market. Coming after a fall in first-half profits, the group's final figures "excellent", said Neil

Consumption of fruit and

vegetables was continuing to increase, and the market place was much better than 12 months ago, when conditions were depressed By Clay Herris, said Neil "We are feeling very chairman, positive about 1998," said Banking Correspondent

Servisair shares drop 25% after warning

aircraft and ground handling. He said there was likely to a number of routes. company, dropped by a quar- be overcapacity in the air pany warned that profits in which could affect Servi-1997 and 1998 would be affected by one-off charges and difficult trading.

Analysts said the fall in the share price from 265p to 200p was more a reflection of a re-rating of the stock than any surprise at yesterday's

After underperforming the market by 50 per cent in the last year alone the shares are now back to where they were over two years ago.

One analyst left his forecast of pre-tax profits for 1997 unchanged at £7.5m

(\$12.2m) before exceptionals, sair's turnover.

Results in 1998 are expec ted to be cut as it phases out its profit-related pay scheme. Increased pension contributions will also hit profits.

Meanwhile, the company's 1997 results have been damped by mild weather at the tail-end of the year, causing a slight fall in demand for its de-icing services. The company is also taking a £475,000 charge against 1997 profits to settle the accounting treatment of a start-up

This announcement appears as a matter of record only.

AKBANK Türk Anonim Şirketi

US\$ 250,000,000

Servisair also added that but downgraded his 1998 one of its main customers, Shares in Servisair, the forecast from ES.Sm to £7.5m. Air UK, was cutting back on

David Cranmer, finance ter yesterday, as the com- cargo market this year director, said the routes most affected would be flights to Copenhagen, Zurich and Rotterdam, and the turnover potentially at stake was some £1m, although he suggested that Air UK's place could be taken by

other airlines. Directors said that growth may stall in 1998, but the company was still well placed to take advantage of the liberalisation of the airline market. Servisair has built up a 30 per cent share of this market in the UK, which is expected to grow at over 5 per cent a year.

Calpers to invest in new UK fund

Calpers, the largest US public pension fund, is to make a \$200m investment in a new fund run by UK Active Value, a shareholder group which targets underperforming companies. The move is a significant

one for corporate governance in the UK as Calners. which runs the Californian state pension fund, has been credited with leading the increased shareholder activism of the US.

It will also buoy UK Active Value, which started marketing its new fund to US investors a year ago.

Calpers has invested in only one other external activist fund before this, according to Global Proxy Watch, the US newsletter on corporate governance. The group decided to commit \$200m, a tiny part of its \$126bn fund, at the end of last month.

UK Active Value, headed by Julian Treger and Brian Myerson, intend the new to target fund underperforming companies

has tended to target smaller companies including Scholl. the footcare group. Kenwood, the food mixer manufacturer, and Signet, the jewellery retailer. It also took a stake in Hambros, the banking group which eventually sold its investment banking operations at the end of last

The fund's use of relatively aggressive methods to increase value has ruffled feathers in the

Neither group would comment on the deal yesterday. Calpers indicated an increased interest in the

Tomkins resists call on extending buy-back scheme

chairman of Tomkins, the bread-to-bicycles manufacturer, yesterday defied calls for a significant extension of its share buy-back programme.

"The stock market pays. too much attention to corporate activity and not enough to our success at managing companies," he declared. He spoke as the shares fell

per cent to 300p (\$4.88) despite a better-than-expected 27 per cent increase in interim pre-tax profits to £215m (£169m). Investors expressed disappointment at the conglomerate's lack of action on restructuring...

It has been under pressure to increase debt through a share repurchase and to focus on fewer business areas through disposals. Mr Hutchings yesterday disappointed the market on both counts.

He said he preferred to increase debt with bolt-on acquisitions and said the company was looking at opportunities which could lift gearing well over the target level of 15 per cent - a target which implies debt of £300m, compared to net cash, of £188m at November 1. The outstanding £40m of

the £100m buy-back

announced last year would be completed in the next two months, he said, after which buy-backs would continue as and when appropriate.

Mr Hutchings also made clear that there would be no rapid disposal of the professional, garden and leisure arm, which makes lawnmowers, bikes and Smith & Wesson guns. Last year the company

said the division was under review, raising shareholder hopes that it would be next in line for disposal once current moves to sell the distribution division were complete. But Mr Hutchings said yesterday that the businesses had been given two years to improve financial performance. Only if they failed to come up to scratch by then would they be put

on the block. Group turnover rose 14 per cent to £2.46bn (£2.16bn) for the half year to November 1, helped by the £357m acquisition of Stant Corporation, the US car components maker, in May. All other divisions experienced a fall in sales but improving margins led to higher operating profits.

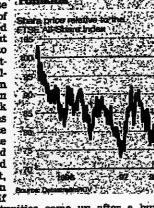
from 8.6p to 10.37p and the interim dividend was increased 14 per cent to 3.5p (3.06p).

Earnings per share rose

Tomkins aggrieved at the morose reaction to its latest set of figures: the shares dipped more than 3 per cent. But the company's failure to

LEX COMMENT

confirm any further tightening of its over-capitalised balance sheet - in addition to the £100m (\$163m) share buy-back already announced - was disappointing. Its reticence suggests it has not quite shaken off the antiquated idea that acquisitions need esh on the balance sheet, recardless of its impact on the cost of capital. If



decent acquisition opportunities come up after a buy back, bankers and shareholders will be delighted to stump up the cash. That said, the mini-conversion at the conglomerate - that prompted talk of a re-rating - is still edging forward. The disposal of an array of distribution businesses - and if they do not perform soon, the handgun, bicycle and lawnmower activities too - will leave a portfolio involving broadly similar manufacturing processes. None the less, it remains hard to see where Tom-kins' food products fit in. Making and marketing branded consumer goods, such as Mr Kipling's pies and Golden Shred marmalade, must surely require different manage ment skills than those required to produce capital goods such as industrial discs and clutches. Still, with margins strong, Tomkins continues to pro-

duce solid earnings growth. And given that its Asian exposure is low, the management story convincing and dividend yield high, its defensive qualities could erode its substantial discount to the market.

Asian turmoil setback for Barclays sales

yesterday basement retreat from investment banking, finding a taker for only part of BZW's Asian equities

The disposal to Credit Suiclays, which had decided it Kong and Shanghai. could not compete in this area on a global scale, with some unfinished business,

but the end is in sight. necessary objective." He added that Barclays had succeeded in the face of scepticism in keeping the busi-

nesses together for sale. Barclays is likely to have realised about £300m (\$489m) for the £400m in assets it put up for sale, not counting significant re-organisation costs in London. The bank expects to appounce the size of a restructuring provision, as well as 1997 trading results for the former businesses, before -reporting annual results on February 17.

Mr Taylor, who was criticised for the way the disposals were handled, said: "Would I do it again? Absolutely. Would we do it the same way? Maybe I'm just stubborn, but I really don't think it would have been possible to do it differently. We weren't helped by the Asian meltdown."

CSFB illustrated its negotiating skills late last year when it bought BZW's European and UK equities and UK corporate advisory businesses for £100m, a discount on the net asset value of £150m. The Swiss-owned share and added local execuinvestment bank became even more selective in the January sales, helped by the dramatic deterioration in the Barclays on the disposals.

outlook in Asian markets. Its shopping basket included few businesses as such: only the Taiwan equicontinued its bargain- ties operation and BZW's 70. per cent stake in an equities ioint venture in Singapore. Otherwise CSFB picked up 200 staff in Hong Kong. India, Malaysia and Indonesia and stock exchange sse First Boston has left Bar- seats in Singapore, Hong

This enabled it to pay an "inconsequential" undisclosed sum, representing a big discount to net assets of Martin Taylor, chief execu- £14m at the end of November tive, said: "It was a horrible 1997. It also leaves Barclays process but it achieved the with the task of sorting out the unwanted Asian rump and its 500 remaining staff.

The first 75 job losses in Hong Hong were announced yesterday. In Hong Kong, CSFB is taking on BZW staff. from investment banking, equities and equity capital markets.

BZW's operations in South Korea, Thailand and the Philippines, which were excluded from the deal, still need to be sorted out, along with the businesses and untransferred staff in India, Malaysia and Singapore Barclays sold BZW Austra-

lis to ABN Amro, the Dutch bank, at a premium to net assets, reducing to \$40m the total discount to net ass on the disposals, But the UK bank also faces up to £60m in costs for closing its Japanese equities business and sorting out the rest of Asia. It is liquidating a derivatives book worth about £120m.

For CSFB, the deal marks another step in its Asia-Pacific expansion. Stephen Stonefield, chairman in the region, said the acquisition increased CSFB's market tion capacity in Taipel. Shanghai and Singapore. Goldman Sachs: advised

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	Since 1993, when UK
SYNDICATED TERM LOAN	Since 1993, when UK Active Value was set up, it has tended to target smaller
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Royal Bank of Canada Europe Limited

Banque Paribas (Suisse) S.A. Vereinsbank AG, Munich Deutsche Morgan Crenfell ING Barings

Bank Leumi Group Credit Suisse First Boston

Co-Arrangers

Creditanstalt-Bankverein, Vienna The Gulf Bank K.S.C., Kuwait

Alahli Bank of Kuwait (K.S.C.) Banco Central Hispano, London Branch Bank Hapoalim B.M., London Branch Hamburgische Landesbank-Girozentrak Matienal Bank of Abn Dhabi

Banca di Roma International

Banque Paribas Belgique S.A.

NatWest Bank PLC

American Express Bank GmbH di Napoli S.p.A., London Branch ikoslovenská obchodní banka, a.s.

Banco Ambrosiano Veneto S.p.A., London Branch Italian International Bank PLC BancAgricola Mantovana SCaRI Banca CRT S.p.A., London Branch Central-European International Bank Ltd.

ING BARINGS

November 1997

Postgirot Bank AB

									 Dividends 		
	Turnos	eer (Ens)		n-tax ft (2m)	æ	S (p)	Corrent payment (p)	Date of payment	Corresponding dividend	Total for year	Total
Cammell Laird 6 miths to Oct 31	10.5	(14.6)	1.33	(1.14)	5.2†	(5.9)	1.4	Feb 10		: -	
Elia & Erramii 6 miths to Oct 31	354.1	(321.8)	16.5	(15.6)	12.6	(11.7 ×)	3.5		1.3		_1
Fyffes 🐥	1,460	(1,429)	54	(48.5)	10.51	(8.75)	1.7089	Apr 9	1,3145	2:2805	1.8
Latchways 6 mins to Sept 30	2.14	(1.94)	0.402	(0.049)	3.17	(4.84)			-10140		11 -
Mulberry & 6 mins to Sept 30	13.8	(13.6)	0.722	(0.475L)	2.3	(1.6L)	0.75	Feb 27	0.75		1.
Pace Micro 6 mths to Nov 29	88.9	(117.6)	12.3L.	(10.2)	5.0L	(3.2)	0.2	Apr 3	0.9	_	2
PWS Yr to Sept 30	10.9	(10.5)	1.07♣	(0.7534)	2.22	(1.85)	0.45	Apr 6	0.35	0.75	0.1
Savilis 6 mfhs to Oct 31	10.1	(24.1)	4.09	(3.02)	9.8	(5 th)	1,25	Feb 20	1 .	0.10	3
Tomkins 6 mins to Nov 1	2.458	(2.156)	214.9	(168.8)	10.37	(8.6)	0.44%	Mar 30	3,05		″ 11.4
Triad 6 mths to Sept 30	14.1	(8.35)	2.85	(1.22)	7.63	(3.22)	2	Feb 10	1		3
Investment Trusts	NA	V (p)		butable igs (Em)	_ B	S (p)	Current payment (p)	Date of payment	Corresponding dividend	Total for	Total
Merchants	- 115.89	(-) (-)	0.015	(-) (-)	0.19	(·) (-)	3.5♦	Feb 20	3.25	- 1	13.6
Earnings shown basic. Dividends shown net	. Floures	in bracket	s are for o	orresponding	period a	After exce	ntional chama	tion income	acarl coolina A	Dominion * £	ابد جارا

US companies to **buy Forgemasters**

By Andrew

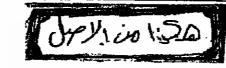
Sheffield Forgemasters, the castings group accused and then cleared of producing components for an Iraqi for oil exploration and supergun in 1990, is selling power generation. its two divisions to US

Allegheny Teledyne, a Pittsburgh-based manufacturer, has offered an undisclosed sum for the aerospace division, which fetch a lower price,

makes shafts for jet engines. Atchison Casting of Kansas has bid for the engineering business, which specialises in one-off castings weighing up to 400 tonnes power generation.

This division accounts for about two-thirds of the group's £160m annual turnover, but is thought to be less profitable than aerospace and is expected to

ratives restated. • Alm stock. Tincludes foreign income dividend element. • Third interim: makes 10.5p to date SCHRODER INTERNATIONAL SELECTION FUND Société d'investissement à capital variable tred Office: 5, rue Höhenhof, L-1736 Senniago R.C. Luxembourg B8202 DIVIDEND NOTICE nal Selection Fund Global Equity nal Selection Fund Global Bond Selection Fund US Equity Selection Fund UK Equity USD 0.14527 per cluste GBP 0.01766 per cluste USD 0.05152 pershare USD 0.01247 pershare ECU 0.17157 pershare USD 0.11719 per share der international Selection Fund Emerging Market GBP 0.00802 per share Wed. ECU 0.68612 per share LISD 0.15929 per short Schroders The Board of Dissectors



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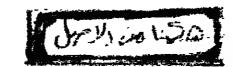
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INTERNATIONAL

Sievwright leads Merrill in Japan

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Merrill Lynch, the global investment bank, has appointed John Sievwright president and chief operating officer of its Japanese operations.

of global financial futures and options, would be working closely with Hisashi Moriya, chairman of Merrill Lynch Japan who in September announced his intention to transfer his day-to-day operating responsibilities.

Moriya is also to take on the additional title of deputy chairman, Merrill Lynch International.

Sievwright will be responsible for all of Merrill Lynch's activities fira Harris has resigned as a senior in Japan, including sales and trading, investment banking, asset management and private client services. He will be one of five chief operating officers for the investment bank's international operating regions, posts created last year as part of Merrill Lynch's effort to focus more on its international

Slevwright's appointment comes at a crucial time for Merrill Lynch the past 10 years he had been a

in Japan and elsewhere in Asia. The turbulence in Asian markets has rocked the confidence of many investors but Merrill Lynch has said that it is still keen to expand

in the region. Sievwright joined Merrill Lynch in 1988 from Bankers Trust, where he was a vice-president and con-The investment bank said that troller of global capital markets. Slevwright, who is currently head Sievwright also spent two years with Bank of Tokyo in London and five years working for Ernst & Young, the accountancy firm, in Aberdeen, Scotland, and London.

William Lewis, New York

Harris leaves bank to join Pritzker

managing director of Lazard Frères, the investment bank, to join the Pritzker Organisation. based in Chicago.

The Pritzker Organisation providers investment banking and fund management services to various Pritzker family interests, including the Hyatt hotel chain. Harris has been advising the Pritzker family for 30 years. For

and before that was a senior partner and executive committee member at Salomon Brothers, the investment bank now owned by

Travelers Group. "ira Harris has been advising us for 30 years and we are delighted that, at long last, we have been able to convince him to join us." said Thomas Pritzker, president and chief executive officer of the Pritzker Organisation.

"He has an enormous number of relationships. In 15 minutes he can save you weeks of due diligence by explaining the key points and where a company is positioned," Pritzker said.

Harris has also formed JI Harris Associates, a company which will provide advisory and consulting

William Lewis, New York

Keidanren of Japan appoints Imai

Japan's leading business federation, the Keldanren, is to appoint Takashi Imai, president of Nippon Steel as it new chairman.

Imai, 68, who is to replace Shoichiro Toyoda, the chairman of

new role in May when the business ty's law department. federation holds its general meeting. Imai will step down as presi- to become president in 1993 and dent of Nippon Steel in order to was appointed chairman of the devote his attention to steering the International Iron and Steel Instibusiness federation through one of

PEOPLE

Japan's longest economic slumps. The Keidanren, which is an influential business federation, has been faced with several thorny issues, such as the involvement of its corporate members in a series of scandals involving illegal payments to corporate racketeers.

At the same time, Japanese business leaders are pressed with a need to adjust their management practices to a difficult business environment which is forcing a widespread reassesment of the traditional practices of lifetime employment and seniority at blue-chip companies.

Against this background, Imai, who is creditted with turning around Nippon Steel by adopting dramatic restructuring measures. is seen as a promising choice as head the Keidanren.

A graduate of Tokyo University, Imai spent his entire carrier with the world's largest steel company. He joined Fuji Steel, which became Nippon Steel through a merger in

senior managing director at Lazard Toyota, is expected to assume his 1970, straight out of the universi-

He worked his way up the ranks

tute in 1995. Michiyo Nakamoto, Tokyo

Kahn joins Thomson-CSF

Thomson-CSF, the French defence electronics group, has appointed Paul Kahn, a 32-year-old Briton, as business development director in

Kahn, who has been director of corporate development for the group's UK subsidiary, will be responsible for working out the group's strategic options internationally as the European defence industry seeks to rationalise and restructure itself. He will be part of the strategic planning cell supporting the board.

Kahn, a chartered engineer and MBA, worked for Ford before joining the Ministry of Defence, where he led a team reviewing procure ment practices. He joined Thomson

Alexander Nicoll, London

from Europay International,

products and brands. Both

European headquarters in

on the development and

implementation of Visa's

London, and will be working

EU's product and marketing

where he was director,

will be based at Visa's

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Moving places

E CAP GEMINI, the European IT services and business consultancy has promoted Alwyn Welch to managing director and chief executive for UK, Ireland and Asia. Alvin Dobbine. vice-president of operations and chief operating officer of GIANT FOOD will retire on March 1. Dobbine, who

joined Giant in 1954, will remain a director and a consultant Michael Broomfield will replace Dobbine, Broomfield will step down as a Giant director and resign from J Sainsbury, which holds a 50 per cent stake in the voting shares of Giant. Broomfield began working with Giant in 1995 as Sainsbury's senior management consultant and representative. ■ RJR NABISCO

HOLDINGS bus named to its board Barnes Group president and chief executive Theodore Martin. increasing the size of RJR Nabisco's board to ten . directors from nine. Barnes Group makes and distributes parts and replacement products for the aerospace, automotive and other durable goods markets. RJR Nabisco is a holding company with food, consumer-products and

tobacco operations.

■ Gilles Pajot, restructuring specialist at pharmaceutical company PHARMACIA & UPJOHN has resigned. Pajot has for the past six months headed the company's global turnaround and restructuring project. He had served as the company's . senior executive in Europe and as a member of the senior management team from the creation of Pharmacia & Upjohn in 1995. Pajot, while heading up the company's European operations was responsible for the integration of the country operations of the former Pharmacia and Upjohn companies to create unified regional business. ■ Sammy Lee Kwok-kin. executive director of property and hotel investment company PEARL ORIENTAL HOLDINGS, has

resigned. He will be replaced

by Wong Tin-sang, who also

becomes operations manager

of Peurl International Rotels.

The FUTURES INDUSTRY

ASSOCIATION has elected

of Carr Futures, to serve as

chairman of the association

until the FIA's annual

Laurence Moliner, president

in March. Moliner fills a position vacated by John Sievwright, who was head of global financial futures and options at Merrill Lynch. Sievwright resigned as chairman after being appointed president and chief operating officer of Merrill Lynch in Japan. He will continue to serve on the FIA board, Mollner previously served as chairman of the FIA from 1995 until 1997 when he resigned his post because of demands on his time during the transition of Dean Witter Institutional Futures division into Carr Futures. A CE INSURANCE bas promoted Larry Lombardo. enior vice president, excess liability, to executive vice-president with overall responsibility for underwriting operations. Lombardo, a Bermudian, has been with A C E since 1986. Brian Dowd, vice-president, property underwriter, has been promoted to senior vice-president, property, and will have responsibility for

Excess Property book of

Insurance two years ago.

Pierre Samson, corrently

vice president and actuary,

meeting which will be held

Financial Lines, has been promoted to senior rice-president, Financial Lines. Samson, who joined the company in 1995 from Tillinghast, will head up day-to-day operations. ■ THE PENINSULAR AND ORIENTAL STEAM NAVIGATION COMPANY has appointed Richard Hein a director. Hein is managing director of P & O Australia. He will also become chairman of P & O Australia. following the retirement at the end of 1997 of Robert Somervaille, while continuing as managing director. FLAG, which owns the world's largest undersea elected Andrea Bande

chairman and chief executive. Bande joins from Sprint Corporation, where he has been president of Sprint International ■ Walter Shipley, chairman and chief executive of The Chase Manhattan Bank, has been named a Class A director of the FEDERAL RESERVE BANK OF NEW A C E Insurance Company's YORK's board of directors. Re succeeds J Carter Bacot, business. Dowd joined ACE chairman and chief executive of The Bank of New York and its holding company, Bank of New York

Company, as one of the three Class A directors for a three-year term beginning this January.

SANTANDER INVESTMENT SECURITIES has announced that Ellis Juan, formerly of The World Bank, will join SIS in New York as senior vice-president, head of project finance for Latin America. Juan wili be responsible for developing Santander's Project Finance Practice in Latin America. Prior to Santander, since 1993. Juan was a senior private sector development specialist at The World ■ INVESCO FUNDS GROUP

has announced that Dan Hesser, a 85-year veteran in the mutual fund industry, is planning to retire at the end of 1998. Hesser joined Invesco in 1962 and has been the company's president and chief executive since 1991. VISA INTERNATIONAL has announced two senior level appointments, both of whom are to serve on its executive management committee. Philippe Menier joins Visa International EU Region from Citibank, where he was business manager, Citibank Bankcards in the

UK. Marc Temmerman Joins

strategy. REMY-COINTREAU has appointed Dominique Heriard Dubreuil, 51, Andre Heriard Dubreuil, 80, who becomes honorary chairman. She has been chairman of Remy Martin

since 1990. STERLING BANCSHARES has named J Downey Bridgwater president, replacing Mark Giles, who resigned to join a group organising a new bank in Virginia. Bridgwater was previously chief executive of Sterling Bank unit's

International appointments

memorial office.

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GOVERNMENT BONDS

By Vincent Boland in London and John Labate in New York

Government bond markets ended a hectic day's trading well below their best levels yesterday, after an early burst of buying fuelled by concern over the financial crisis in Asia ran out of

yields fell across the board point, to the astonishment of expected it to be achieved so

However, exuberance profit-taking and European put an end to interest rate and bond markets. markets ended with slight rises in the US and Europe gains while US Treasuries took hold with a vengeance.

Average slumped at the start rates will move, jumped 16 out of shares into bonds. The of trading but quickly recovered as traders and investors cuts from September. Anabegan to look more positively on what Indonesia's ever, saying UK base rates authorities were promising had probably not yet finto do to avoid a financial ished rising. melt-down.

"It was a very mixed marchief economist at Bank of America in London.

danger of getting carried bunds was heading relent of Asia to put an end to safe not much cash activity comlessly for 5 per cent at one haven buying. But the marpared to last week."

point, to the astonishment of ket in general is pretty posi
However. he s don't see that changing for

the rest of the week."

hasis points, implying rate lysts were sceptical, how-

A 5 per cent bund yield was also widely considered ket." said Jeremy Hawkins, to be unsustainable for very long. "That is a very big level, so it was no surprise to "Initially, there was a rally see a turnround," said Gra-Markets were initially on Asian factors and then ham McDevitt, head of buoyant as prices soared and profit-taking. There is the global bond strategy at Paribas. "It was a very futuresthe yield on 10-year German away, and the potential out driven day and there was

However, he said the bunds, although little many analysts who had not tive towards bonds, and I 10-year bund yield was likely to break below 5 per cent soon and could continue to Earlier, the view that trade down to 4.75 per cent eventually gave way to Asia's crisis had definitely given the mood on equity

GERMAN BUNDS led the initial European rally on were modestly higher at The short sterling contract, safe-haven buying as equity which is a barometer of how markets weakened, with

The Dow Jones Industrial the market feels UK interest some evidence of switching pean markets. ITALIAN yerage slumped at the start rates will move, jumped 16 out of shares into bonds. The BTPs firmed but closed well below their high for the day, March future settled in Lonwith the March future setdon at 106.42, up 0.24, after hitting 106.78 at one point, tling at 117.62, up 0.10, after touching 118.00 in steady with 240,000 contracts changing hands in trading on London trading.

SPANISH BONOS climbed 0.17 to 107.55, while FRENCH Most activity was seen at BONDS rose 0.16 in Paris to the short end of the yield curve, which steepened by 3 103.00 in turnover of more basis points yesterday. The than 155,000 contracts.

UK GILTS played second fiddle to the short sterling curve is now 9 points steeper than it was last Wednesday. contract and ended mixed With international factors after hitting a fresh high for foremost in investors' minds. cost of living data for the March future, which settled at 124%, up %. The spread over 10-year bunds December due to be published today will provide stood at 102 basis points. some domestic focus for US TREASURIES moved

higher in early trading. In change is expected. the morning session the long bond touched record low Analysts said the view was gaining ground that any yields, but prices later eased. interest rate rise by the By midday the 30-year Trea-Bundesbank, initially expecsury bond, the standard for ted in the first half of this long-term interest rates, was year, would now not materi-% higher at 105%, sending alise until the second half. the yield down to 5.708 per The performance of bunds

was matched by other Euro-

Among issues, the two-year note rose 🕁 to 100%, yielding 5.150 per cent. The 10-year note was % higher at 105%, yielding 5.370 per cent. The Fed-

eral Funds rate was 5.50 per Bonds surged initially as the US stock market plunged more than 120 points in the opening few minutes, on weaker overseas markets. However, prices had come

the Dow recovered its poise. "Earlier in the day there was talk of profit-taking by hedge fund operators," said Hamilton Davis, bond trader at Everen Securities in Chi-

off those highs by midday as

No important economic news was announced yesterday, but several key figures are due to be released later

The consumer price index will be published today, and a retail sales report on Wednesday.

CAPITAL MARKETS NEWS DIGEST

Depositary receipt trading up sharply

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Trading in US and European depositary receipts grew dramatically in 1997, reflecting growing demand for nondomestic equity holdings. In its annual survey of depositary receipts, Bank of New York said trading volume rose by 23 per cent to 15bn shares in 1997 while the equivalent dollar value grew by 53 per cent to a turnover of \$555bn. Depositary receipts are secondary share listings in the US or Europe by companies outside their domestic market.

Bank of New York said there was \$19bn in depositary receipt offerings from 145 issuers spanning 46 countries. In addition, 249 depositary programmes were launched on the New York Stock Exchange, Nasdaq, Amex and European markets, including debut issuers from Bahrain, Jordan, Kazakhstan, Latvia, Lithuania and Slovenia.

In the market for American and global depositary receipts there was more than \$6bn in privatisation listngs. Companies from the UK. Mexico and the Netherlands were the most actively traded, with the greatest turnover recorded in Telebras, the Brazilian telecoms company, Teléfonos de Mexico, and Ericsson. Analysts expect Europe to be the most prolific source of new programmes in 1998, with Brazil, Mexico, China and India also expected to be active.

OTC DERIVATIVES

Volatility boosts volumes

Trading in over-the-counter derivatives reached a record in the first half of 1997, as new business rose 46 per cent to \$13,822bn from the previous six months' \$9,465bn, according to the International Swaps and Derivatives Association. Outstandings in interest rate swaps and options, and currency swaps stood at \$28,733bn on June 30, up 12.9 per cent from December 1996 and 36.4 per cent higher than a year earlier.

"Worldwide volatility continued to drive the wider use of privately-negotiated derivatives," said Thomas Montag. chairman of ISDA's market survey committee. "Contributing factors for growth were continuing low interest rates in the US, the convergence of interest rates in Europe in anticipation of a single currency and the incipi ent financial problems in Asia." Samer Iskandar

GERMAN MEDIA

Pro Sieben to raise DM200m

Pro Sieben, the German media group floated on the-Frankfurt stock exchange last summer, is to raise DM200m through the issue of a seven-year fixed-rate bonds. The company, which received DM360m in last year's DM1.26 initial public offering of 17.5m non-voting shares, said the bond issue would help reduce bank debt and finance ordinary business activities. Bayerische Hypotheken and Wechsel Bank is handling the issue, more details of which will be announced at the end of this Frederick Stüdemann, Berlin

6.18 6.26 7.25 6.22 6.30 7.27 5.86 6.01 7.74 6.08 6.12 7.73 5.07 8.00 7.80 6.08 6.12 7.77

Jan 12 Jan 9 Yr. ago

Fannie Mae launches benchmark notes

INTERNATIONAL BONDS

By Samer Iskandar and Edward Luce

Fannie Mae, the largest US mortgage lender, yesterday launched its benchmark note programme with a \$4bn

issue of five-year bonds. The deal, jointly led by Credit Suisse First Boston, Goldman Sachs and Merrill Lynch, was priced to yield 19 basis points above fiveyear US Treasury notes.

notes. With issue sizes of higher liquidity. between \$2bn and \$5bn each.

smaller deals.

what investors want," said will also pay coupons on the Linda Knight, treasurer. 15th day of the month, The reaction from investors has been very positive."

She also said Fannie Mae was aiming to build a full yield curve of benchmark notes, with maturities ranging from three to 10 years. A ket conditions allow.

Up to half of Fannie Mae's expected to reduce Fannie \$80bn funding programme Mae's borrowing costs, as for 1998 could be issued in investors are willing to 10 basis points over the the form of benchmark exchange lower yields for

more liquid than existing. and principal repayment can be separated and traded as We think that liquidity is distinct securities. All issues which will make coupon strips due in the same month interchangeable.

ABBEY NATIONAL, the UK bank, issued the first ecu-denominated bonds of the year, an Ecu200m floatbenchmark note could be ing-rate deal Barclays Capiissued every month if mar- tal, joint lead with UBS, said the three-year issue was tar-The large issue size is geted mostly at small fund and retail bank investors. The deal was priced to yield

French BTAN curve.

The ecu market is expec-All benchmark notes will ted to be increasingly active the new securities will be be strippable - the coupons in the next few months as

National	Amount III.	Coupon	Pate	Makerity	Fees %	Spreed	Book-rupper
E VE DOLLARS	٠.				1.2	T 47 .1.7 1	
Farinie Maa+ St George Bankt;	400	5.258 (a)	99.682R 99.848R	Jan 2003	0.10R 0.175R	=10/5%Dec02	CSFS/Goldman/Memil Barciaya Capital/L/BS
III LUXEMBOUMA FIVANCE	.* `	,.	· .:			. 7.	
Bayerische Hypo	2bn	5.3750	102.45	May 2006	2.00	-	BGL
E BYSS FRANCS			. :				
Hillitan	200	2.25(4)	99.60	Aug 2003	1.96	-	Dautache Worgen Grenfe
III ITALIAN LIRIE			٠,٠				
Goca-Cola Enterprises (38) Bayerische Hypo	300bn 100bn	5.00 (b)	101.38 99.758	Feb 2003 Feb 2018			Deutsche Morgan Granfe Chase Manhatzan ind
M. OCA		٠.					
Abbey National Trary Suce	200	4.50(s)	99.803FI	Aug 2001	6.20FI	+100	Buncheye Capital
M WHITMYTTAN DOLLARS				. '	: • • • •		
Bayerische Landesbank	100	5.25(s)	100,755	Dec 2001	1.50	-	Harroproe Blank
Anel terms, non-calleble unless tulies tulie	in yr 2, 7	ennual co	upon. R: F	en best	r prices le	HES STORMIN AND I	9-offer level. a) 3-mon Liz

state-controlled bank, is

bond in the near future. arms of Coca-Cola, issued its first lira-denominated bond

borrowers prepare investors in a L300bn offering. An offifor European monetary cial at DMG, sole lead manunion. OKB, the Austrian ager, said the borrower had benefited from the rally in planning a 10-year Ecu750m the Italian BTP market and the strong Italian retail COCA-COLA ENTER- demand for household

spread of eight basis points over lira Libor. ST GEORGE BANK, AUStralia's fifth largest, tapped the five-year dollar sector for the first time since March 1997 with a \$400m floater PRISES, one of the funding names. The five-year bond priced to yield 18 basis was issued with a coupon of points over Libor, against 13 just 5 per cent to give a points on its last visit.

Mon Day's Fri Jan 12 change % Jan 9

WORLD	BONE	PRI	¢ES∵.						
BENCHM	ARK (OVE				_			
Jen 12	Red Date	Coupon	Price	Bid Yield	Day chg yleid			Yestr ong yid	F
Australia	04/00 10/07		104.1684 132.0907	5.01 5.54		-0.12 -0.18	-0.47 -0.66	-1.30 -1.94	=
Austria	09/99		104.5100	4.15 5.16		-0.18 -0.12	-0.20	+0.39	3.A
Bolgkum	01/00 03/07		99,8900	4.08 5.14		-0.18 -0.20	-0.33 -0.19	+0.44	84
Conscia	08/99		100.1300 114.4000	4.86 5.26		-0.22 -0.14	-0.35 -0.39	+0,42	St. Pr
Denimera	12/99	6,000	105.2300	4.19 5.34	-0.06	-0.25 -0.17	-0.35	+0.26 -1.24	97 90
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France	01/00	4.000	100.0300	3.98	-0.07	-0.20 -0.17	-0.32 -0.27	+0.64	
	10/07 10/25	5,500	103.2600 106.2900	5.07 6.62		-0.11 -0.11	-0.20 -0.21	-0.73 -1.17	G
Germany	09/99 11/04 07/07	7.500	100.1700 116.2200 106.9000	3.86 4.82 6.06	-0.04	-0.18 -0.18 -0.13	-0.28 -0.23	+0.51 -0.57 -0.79	M
treland	07/27 04/99 06/06	6.250	112.3100 101.8000 116.1000	5.63 4.67 5.32	-0.02 -0.02	-0.13 -0.17 -0.12	-0.24 -0.34 -0.25	-1.13 -1.49 -1.53	Ju
	05/00 05/02 07/07	6.000 6.250 6.750	102.8500 105.1900 110.4200	4.69 4.90 5.33	+0.01 +0.02 -0.02	-0.08 -0.18 -0.13	-0.29 -0.36 -0.34	-1.66 -1.77 -2.23	Sta
Japan	03/00 12/02 08/05	6.400 4.800 3.000	119.9400 112.6700 117.1700 109.7500	0.86 1.19 1.64	-0.05 -0.03	-0.14 -0.05 -0.06 -0.03	-0.34 -0.06 -0.05 -0.07	-2.29 -0.15 -0.61 -0.81	10 10 10 Est
Netherlands	09/17 11/99 02/07	7.500	106.1600 105.9800 105.1800	2.47 4.04 5.02	-0.03 -0.04 -0.04	-0.06 -0.15 -0.14	-0.30 -0.24	+0.68 +0.73	
New Zosiand	02/00 11/06	6.500	98.0360 108.6875	7.55 6.66	-0.08 -0.12	+0.07	+0.28	+0.54 -0.73	_
Horway	01/99 01/07		104.7800 110.4600	4.22 5.26	-0.01 -0.04	-0.08 -0.14	-0.14 -0.20	+0.28	Jul
Pertugal	03/99 02/07		104 5745 108.8052	4,44 5.38	-0.01 -0.02	-0.18 -0.13	-0.36 -0.29	-1.31 -1.46	=
Spain .	07/99 03/07		104.2358 114.3989	4.46 5.33	90.0÷	+0.03 -0.10	-0.17 -0.27	-0.83 -1.51	
Sweden	01/99 09/07		106 0080 117.4610	4.80 5.59	-0.04 +0.01	-0.22 -0.24	-0.26 -0.37	+0.35 -1.22	Ma
Switzerland	03/00 06/07		107.1 <i>2</i> 00 111.3200	1.81 3.09	-0.08 -0.03	-0.24 -0.12	-0.29 -0.25	-0.3d -0.76	R
UK	08/99 11/04 12/07	6.750 1 7.250	93.3047 103.9063 109.5000	6.47 6.04 5.96	-0.14 -0.08 -0.05	-0.20 -0.21 -0.17	-0.40 -0.37 -0.31	-0.14 -1,37 -1.68	
us	76/99 11/04	5.625	125.8438 100 6560 114.1480	5.94 5.23 5.37	+0.04	-0.17 -0.24 -0.13	-0.41 -0.40	-0.81 -0.81	Me

4.31 -0.05 -0.19 5.17 -0.04 -0.14

10 YEAR BENCHMARK SPREADS

10 154	N DEN	No Hills	PAPAN.	SPINE	The s			
	Bid	Spread				Blet	Spread	Sprots
Jan 12	Yield	vs Bunds	T-Bond	3		Yield	Vil Bunds	T-Bonds
Australia	5 54	+0.45	-01	7 New Ze	etend	6.66	+1.60	+1.29
Austra	5.16	+0.10	-02	1 Norway		5.26	+0.20	-0.11
Belgium	5.14	+0 08			1	5.38	-0.32	+0.01
Canada	5.26					5.33	+0.27	-0.04
Denmark.	5.34	+0.26				5.58	-0.53	+0.2
Finiand	5 13	-0.07			- 15	3 09	-1.97	-2.2
Frence Germany	5.07	+0 01				5.98 5.37	+0.90	+0.56
freiend	5.32	+0.26				5.17	+U.31	-0.2
halv	5.33	+0.27		_				
Jacan	1.64	-3.42				a Doze/Fi		
Nethertunds	5.02	-0.04			ciciang. '	New You	at crossing	
lim 12	Red date C		S & P Rating	Bid	Bid vield	cyda Day's	Mth's chga	Sprd vs US
		oupn	Hatting	pnce	yreic	yid	yld	US
	-							-
Costia	02/02	7.000		95.5000	8.31	+0.06	-0.21	+3.11
Poland	07/04	7.125		102.5500	6.63	+0.07	-0.65	+1.38
Russia	06/07	10.000	88-	88.5000	12.07	+0.15	0.23	+6.73
B LATTE A	M 19.34							
Argentina	09/27	9.750	88	90.5000	10.82	+0.47	-0.18	+6.13
Brief	05/27	10.125	B8-	87.7500	11.60	40.07	-0.03	+5.91
Mexico	05/26	11.500	88	116.0000	9.80	+0.20	-0.16	+4.13
ASIA				•		-	-	
China	07/08	7 750	888+	103.7500	7.13	+0.03	+0.24	-122
Philippines	10/18	8.750	B8+	87.0000	10.33	-0.09	+0.35	13
Thadand	04/07	7.750	A-	81.3000	11.07	-0.01	+1.75	+5.73
MAFRICA	MEDDLE	EAST						-
Lebanon	07/00	9.125	8B-	102,5000	7.96	_	+0.18	42.82
South Africa	10/06	0.375	BB+	104.4000	7.66	-0.02	-0.28	+2.35
T	00.00			10-0500	0.00	0.00	0.20	4.44

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Open Sett price Change High Low Est. vol. Open Int. 107.68 1077.55 +0.16 107.94 107.51 101,818 105.546 MOTIONAL UK GILT FUTURES (LIFFE) PS0.000 32nds of 100% Open Sett price Change High Low Est. vol Open nt.

Misr 124-03 124-04 +0-12 124-23 124-00 98783 188345

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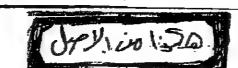
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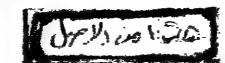
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US CORPORATE BONDS INTERNATIONAL BONDS I UTILITIES 7.25 AA-7.00 A+ 8.00 BBB 02/07 5,780 AAA 104,6300 5.10 -0.03 EIB Drescher Bit British Clas Abbey Nat FFIN IN HIGH VIELD 02/01 9.88 B 10/1.2500 0.00 12/01 9.13 BE- 104.2500 11.00 06/04 10.75 B- 99.0000 0.00 US INTEREST RATES Treasury Bills and Bond Yelds IN -ELAND YEN World Bank Spain Cred Fongler

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CURRENCIES AND MONEY

Asian crisis boosts \$ and rate outlook

MARKETS REPORT

DAY JANUARY BA

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Pixed Interest

s volumes

By Simon Kuper The dollar jumped against the yen yesterday, belped by renewed worries over Asia

and a surprise rally in US

The dollar, seen as a safe haven from Asian financial turmoil, gained Y16 to close in London at ¥133.1. Its rise was restrained somewhat by the continuing belief that central banks might inter-

vene against it. The Hong Kong and Singaporean stock markets fell by nearly 9 per cent each, largely because of the impending collapse of Peregrine, the Hong Kong securities company. But most Asian currencies held up. Currency strategists said the foreign exchange market had already discounted Peregrine's demise.

The Thai baht and the Taiwan dollar fell, but the Indonesian rupiah firmed as

Jan 12

POUND SPOT FORWARD AGAINST THE POUND

the International Monetary short sterling contract for Fund held talks with Jakorto June jumped 18 hasis points, reforms from Indonesia.

The country was "dicing don.

British base rates had cut rates in March. peaked. A surprise fall in UK Hans Tietmeyer, Bundesindustrial production in bank president, said vester-November, caused by the day that the Asian turmoil # UK interest rates have strong pound, and tame would "dampen the infla-wholesale price figures in thonary rise" in the US. December, added to belief

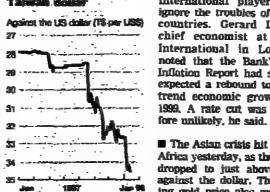
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T THE	1.6169	16115
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about the details of the res- and is now pricing in base cue package it brokered last rates slightly below the pres- 27 year. The IMF is seeking eco- ent level of 7.25 per cent. The nomic and banking sector pound barely moved yesterday.

with default" on its foreign German, US and French debt, said Richard Gray, interest rate futures rallied emerging markets economist on fears that the Aslan crisis at Bank of America in Lon- might prompt global deflation and interest rate cuts. 33 UK interest rate futures Eurodollar futures contracts contracts soared as the are now pricing in a 75 per money market decided that cent chance that the US will

Earlier this year, Alan that the economy would Greenspan, chairman of the mist at Investee in London, slow sharply this year. The Federal Reserve, had likewise warned against defla- UK inflation is still above tion rather than inflation. His comments, which broke the habit of a lifetime, had sent yields on 30-year US cut rates in order to help Treasury bonds to their low-



peaked, if you believe the money market.

Source Datastrument/CV

Philip Shaw, chief econodoes not. He points out that per cent upper limit. He adds that whereas the Fed might indebted Asia, the Bank of England, as a much smaller

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

international player, can 5.00 level was "no more : ignore the troubles of other rosanct than any other le countries. Gerard Lyons, in the market. To say that chief economist at DKB any price we have to prote International in London, this, I think that would noted that the Bank's last folly." Inflation Report had said it expected a rebound towards sultancy, called his co trend economic growth in ments "careless" and "

■ The Asian crisis hit South Korea's doomed attempt Africa yesterday, as the rand draw a "Maginot Line" dropped to just above 5.00 1,000 won to the dollar. against the dollar. The falling gold price also weighed showed no concern. Bertus Europe and the US after van Zyl, general manager of the bank's international

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4CAST, the economic of 1999. A rate cut was there-invitation to the market buy dollars." But Mr Van may have noted Sou

■ Fidel Ramos, the Phil on the currency. But South pine president, yesterd: Africa's Reserve Bank cancelled planned visits opposition senator had ask banking division, said the while the country's curren was collapsing.

Meanwhile, police in Th land suspended Richw Datanet, a foreign exchan firm, and arrested its ma ager on charges of iller currency trading. The poli said that about 30 such fin were on their target list,

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	THESE	монти				(LIFFE	ET L1000			
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	Sep	98.29	98.30	+0.0	77 9	8.36	98.29	5256	5 18	2040
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France	(FFr)			501 - 56		9.7836	9.9186	4.2	9 7627	3.7	5.5271	3.3	105.4	Fran	Co	(FTr)	6.0880	-0.00
Germany	(DM)	2.9433		419 - 44		2.9219	2.3328	4.3	2.916	3.7	2.8466	3.3	193/1	Gert	TONY	DAG.	1.8185	-0.00
Greece	(Ch)	484,914	-0.064	423 - 40	5 466.212	462.064	470,549	-14.0	480.315	-132	504.402	-8.5	60.7	Gree	500	(Dr)	287.250	-0.
beland	(MC)	1.1819		795 - B4		1.1737	1 1808	33	1.1776	7,8	1.1542	2.3	92.8	rigit f	nd	(E)	1.3694	-0.00
Italy	. 67			345 - 50				1,3	2884.93	1.3		20	75.8	lialy		6.3	1788 49	-0.
Luxembour				600 + 50							H-656	3.3	100,0		mbourg	(LFr)		-0.0
Netterland	- 1.4	3.3159		143 - 15				44	3.2843	3.8	3.2056	3.3	101.3		erends	(FI)	2,0486	-0110
Norway	(All C)	12.51		727 - 85		12.0403	12.137	4.2			11,8232	2.9	97.3	Morv	77	(NKr)	Y-50749	+0.05
Portugal				791 - 05			300.297	2.5	293.102	2.4	292.038	27	91.6	Port	Jagal .	(Es)	105 900	-0.
Epein	(Pla)	249.330		203 - 45				2.8	247.741	25	242,644	2.7	76,7	_ Span	n	(Pta)	154,050	-0.2
Swotien	(2)(1)	13,0136		071 - 20					12.8292			2.2	84 5			(SKI)	8.0405	+0.04
Sertzerienc		2.3585	+0.0037	872 - BI	7 2.3906	2.3701	2.3748	7.0	2.353	5.9	2.2509	5.4	108.0		an land	(SPr)	1 4757	-0.0
UK .	(12)	No.								-			100.0			<u>s</u>	7.5185	+0.00
Ecu		1,4504	40,0021	604 - D1	1.4925	1,4012	1.4861	3.4	1.4791	3.D	1,449	2.8	-	-		-	Y 000	+0.00
SDR	_	1,210686		-	-					-		-		SDR	7	-	0.74700	
Asperiose															rions			
Argentina	(Peso)	1.6182		179 - 18				-		•	-				reine	(Perc)	0.9968	+0.00
8-pail	FOR	1.8113		108 - 11		1.7987								Braz		(FIS)	1.7787	+0.00
Canada	(CE)	2,3206		197 - 214		2,3056	2,3145	3.2	2.3048	2.7	2.2875	2.3	82.5			_(CS)	1.4336	+0.03
	New Pesc)	18.3770		340 - 196			13,5573		13.8705		15.1883	-13.5	****	-	CO IN	Dr Pesc)	8.2650	+0.18
USA	(8)	1.6185	+0.0030	162 - 184	1.6195	1,5096	1,6159	2.0	1.6115	1.7	1.502	1.5	110.6			F	-	
Pecitic/Mic																in East!!		
Australio	(A\$)	2.5268 12.5384		253 - 265			2.5215	2.5	2.5719		2,4712	2.2	84.8	Aust		(AS)	1.5812	+0.01
Hong Kong			+0.0247				12.6028	-14,7	12.8634	-10.3	13,6082	-8.5	-		Kong	9-8(\$)	7.7475	-0.0
india	. (Flat)	64,3597		235 - 956				-	•	-	-	-	•	indie		(Flat)	39.7650	+0.0
iorea)	(Shk)	5,7722		863 - 781		5,7348	-		One have		004 B00	-		larae		(8144)	3.5664	+0.00
Japan		215,382	+3.982				214,017	7.6	211.752	8.7	201,502	8.4	117.0	Japa		m	133.075	+1.5
Malayela	(MS)	. 7.5260		165 - 354		7.4092	7.5194	1.0	7.5447	-1.0	7,8586	-4.4		Maje		(3/6)	4.6500	+0.0
New Zealer		2.8375		355 - 400		2.8258	2,842	-1.8	3.8485	-1,5	2.8707	-1,2	101,9		Zeciand	+,	1.7538	+0.008
Philippines	· (Peec)	8.0726		344 - 465		70,8022 6,0378	71.6965	-13.5	73.2568 8.0539	-13.3	\$1,0385 8,0036	-14,3	•		pines	Pesoj	43,8000	-0
Seuci Arab		2.0214		707 - 745			6,066	1,3	2,9965	-10.7	3,0565	1,1	-		Arabe.	(SA)	3.7520	-0.000
Singapore	(58)			176 - 262		2.8637		-21.3				-4.6	•	Singa		(58)	1.8050	+0.031
South Africa		8,0771		732 - 810		7.9697	8.1504	-10.9	8,2517	-8.6	8.6576	-72			Africa	F	4.9905	+0.061
South Kore		2911,34		758 × 308							22 4604		-		Koren	(Mon)	1737.90	-7
Taiwan Thelland	. (19)	55.8634		972 - 296		55,1922 83,5740	55.7906	1.6	55.5717	1.4	55,1296	1.3 -14.0	-	Taket		(18)	34,5155	+0.385
	(94)	81.7696		293 - 097					95.2368							(91)	56.7900 1 9. Biskob	
† Rates for J graphics 1980																	1 Y. BIGIGO E1 TONLÍNS	
CLOSING SP	OT and FOR	TAN CRATE	E services.	Some value	THE PURPLE	by the f.					mage open	blaff dated		The e			ad in that t	
The tochange								٠							_			
							<u> </u>											
CROS	S RAT	ES AN	ID DE	RIVAT	IVES													
EXCHA	-	2000		-														
	12	inus:	DK		DM 1	e 1			MINUT S		Pte		8Pr	2	CS		Y	Bou
Belgium ' .	(BFr)	100 54.16	18.46			M7 47 ISA 25						1.63	3.934	1.547	3.822	2.886	354.8 192.2	2.455

		Closing mid-point	Charde	abused Signature	Day's high	ID4	Rate	%PA	Three m	%PA	Clean years Flatte	• PA	
jurope													
ucino	Schl	12,7929	-0.0124	589 - 986	12.3520	12 7370	12,7689	23	12,7343	1.8	12 5364	1.5	102.1
lekuum	ŒFo	37.5100	-0.045	900 - 300	37.6560	37 3220	37 434		37,3195	2.0	36.87	1.7	102.0
tenmark	(DIG)	6.8252	-0.0062	242 - 262	6.9577	5.8949	6.9135	26	€ 2463	17	6.8314	14	103,7
inland	FM	5,5081	H0.0047	Q50 - 111	5 5305	5 4851	5 4966	2.5	\$ 4791	21	5,4156	1.7	30.2
Fance	(FTr)	6.0880	-0.0049	871 - 886	5.1165	6.0638	6.0764	2.3	6 0594	1.9	5.9943	17	:04.5
Sermony	(DA4)	1.8185	-0.0016	190 - 198	1.8282	1.9110	1,615	23	1 6765	2.0	1.789	1.7	132.7
reco	(Dr)	287.250	-0.68	000 - 500	289.160	266,280	291.08	-160	298 305	-15.0	316.225	-1C 3	65.3
breis	(E)	1.3694	-0,0006	889 - 719	1,3749	1.3661	1 3683	0.2	1,3533	0.3	1.3794	-37	
aly	Q.	1788 49	-0.39	805 - 893	1797.01	1779 75	1789 49	-07	1790,3	-04	1791706	0.4	754
memboria	(LFr)			900 - 300	37.6560	37.3220	37 434	2.4	37,3195	2.0	36.67	1.7	132.0
etherends	(FI)	2,0486		485 - 490	2.0612	2 0405	2.0446	2,4	2,0382	2.1	2.0135		1012
Orwery.	NKI	Y-50249	+0.0525	224 - 274	7,5275	7.4604	75111	22	7.4907	1.8	7.4364	1.3	97.2
oriugal	(Es)	105 900	-0.26	880 - 980	186.810	185,270	185.841	0.6	185.613	0.7	194	1,0	92.1
pan n	(Pta)	154,050	-0.265	000 - 100	154 758	153,600	153.946	0.8	153,74	0.6	152,41	1.1	76.3
waden	SKI	8.0405	+0.0451	380 - 430	8.0435	7.9979	8.233	7.8	8.0234	0.9	7.9982	2.5	84.6
witzer for c	(SPI)	1 4757		752 - 762	1.4821	1,4684	1.4694	5.1	1,4600	42	1,4196	3.8	107.6
K	ஹ	7.5185		182 - TBS	1.6195	1.6095	1.6159	2.0	1,5115	1.7	1.592		103.2
CU	-	7.00	+0.0009	865 - 865	1.0896	1.0614	1.0674	-1.5	1//895	-1.3	1,0580	-1.2	
DR†	-	0.74700	-	-	-		-	-		-	•		•
merlook													
rgerdine	(Perc)	0.9998	+0.0003	996 - 996	0.9999	0 9007						-	-
स्था	(FIS)	1.7787	+0.0019	190 - 192	T.1195	1.1173		-	-	-	•	-	-
anada	(CS)	1.4336	+0.0103	335 - 340	1.4345	1.4305	1.4324	1.2	1,4303	1.0	1,4243	0.7	85.1
	ir Pesci	8.2650	+0.182	400 - 900	8.3000	8.2300	8.39	-18,1	8.6075	-16.8	9.54	-15,4	•
5A	自	-	-		-	-	-	-		-	-		110.8
acific/Nilddi	n East/	Urico											
e u c	(AS)	1.5812	+0.0117	605 - 518	1.5620	1.5600	1.5604	0.5	1.5578	0.9	1.5471	0,9	85.7
ong Kong	9-BC\$}	7.7475		470 - 480	7.7400	7.7405	7,855	-16.7	7.9625	-12.1	6.5475	-10.3	•
dia	(Flat)	39.7650		500 - 80Q	39.8920	39.7300		-	-	-	-		-
raei	(814)	3.5664	+0.0068	634 - 694	3.5700	3.5425		-	-	-	-		-
pan .	(r)	133.075	+1.55	040 - 11D	133,360	131,800	132.445	5.7	131,405	5.0	126.625	4.8	119.7
alaysa	0.6)	4.6500	+0.045	450 - 550	4.7200	4.5900	4,6555	-0.9	4.682	-2.8	4.935	-6,1	-
ew Zecland	P(ZS)	1.7533		522 - 544	1.7557	1.7516	1.7564	-2.1	1,7616	-1.9	1.7806	-1.6	-
hilippines	[Peso]	43,6000		500 - 500	44,7000	43 1000	44.37	-15.6	45.46	-152	50.9015	-16.2	-
audi Arabia	(SA)	3.7520	-0.0005	515 - 525	3.7530	3.7510	3.754	-0.6	3.7568	-0.5	3,771	-0,5	-
rgapore	(88)	1,8050	+0.0315	030 - 070	1.8075	1.7780	1.34	-23.3	1.0012	-12.5	1,00	-6,4	-
outh Africa	A	4,9905	+0.0615	890 - 920	4.9965	4.9415	5.044	-12.9	5,1206	-10.4	5,438	-9.0	-
outh Korea	(Work	1737.00	-72	500 - 900	1850.00	1710.00		-	-	-		-	-
iwan	(18)	34,5155	+0.3895	810 - 500		31,1960	SWS ME	-0.4	34,548	-0.4	34.620	-0.3	-
reliand	Bú	56,7000		000 - 000	57,0000			-19.0		-16.9		-15.5	-
OCR rate per currency. J. exchange n	\$ for Ja P. Moro	n 9. Bislode en nominal	er spreads incides Ja	on the Dodge or 9: Black an	Spot table	show only 1 w100.	he last th	ree depin					seed in

USA S) 1.6185 +0.0036 182 - 188 1.6185 1.6085 1.6189 2.0 1.6115 1.7 1.582 1.5 110.6 USA Pacific/Middle Rest/Africa (A) 2.5288 +0.0244 259 - 282 2.5298 2.5123 2.5215 2.5 2.5119 2.4 2.4712 2.2 84.8 Pacific/Middle Rest/Africa (A) 2.5284 +0.0247 282 +4.25 12.5446 12.4640 12.6823 -14.7 12.8634 -10.3 13.6082 -8.5 - Hong Kong 6/45 7.7475 -0.002 470 -480 7.746 incits (Sh4) 5.7782 +0.0232 585 -781 5.7787 5.7345	CONTRACT	100	والتحدية		a 18t -				32	2-3/40		5.5013			D Care		(rat	1.4330			348 1.434
Pacific/Middle Rest/Abbrea Austratio Cell 22.598 4.0024 23 289 2.599 2.512 2.515 2.5 2.511 2.4 2.712 2.2 8.5 1.00171 1.0017 1		leur Pesc)														CO (Ne	hr Pesci	8.2650	+0.182	400 -	900 8,300
Australia (48) 2.3298 -0.0204 253 - 889 -2.2509 2.5123 2.5215 2.5 2.5119 2.4 2.4712 2.2 8.4 8.4 4.2517 (1973) 1.5254 -0.0207 253 -0.000 2470 - 480 -7.1518 1.5254 (1974) 1.5255 - 889 -0.000 2470 - 480 -7.1518 1.5254 (1974) 1.5255 - 889 -0.000 2470 - 480 -7.1518 1.5254 (1974) 1.5255 - 879 -0.000 2470 - 480 -7.1518 1.5254 (1974) 1.5255 - 879 -0.000 2470 - 480 -7.1518 1.5254 (1974) 1.5255 - 879 -0.000 2470 - 480 -7.1518 1.5254 (1974) 1.5254 1.52554 1.5254 1.5254 1.5254 1.5254 1.5254 1.5254 1.5254 1.5254 1.52554 1.5254 1.5254 1.5254 1.5254 1.5254 1.5254 1.5254 1.5254 1.52554 1.5254 1.5254 1.5254 1.5254 1.5254 1.5254 1.5254 1.5254 1.5254 1.5254 1.5254 1.5254 1.5254 1.5254 1.5254 1.5254 1.5254 1.5254				+0.003	8 182 ÷	188 1.61	95 1,609	6 1,6159	2.0	1.6116	1.7	1.502	1.6	110,	6 USA		(4)	-			
Hong Kong 99/53 12.5394 + 40.007 282 - 429 12.5445 12.4450 12.44															Peci	fc/Midd		Urico			
Inches Fig. 94.3597 +0.25816 235 - 969 64.000 64.1200 54.1250 1.258 1.755 1.															Austr	4			+0.0117	605 -	
Internal Shiph S.7722 -0.0228 853 - 761 S.7787 S.7746 S.7787 S.7747									-14,7	12.8634	-10.3	13,6082	2.5	-		Kong					
Machine M 218.382 42.882 265 - 478 218.540 212.882 214.717 7.6 211.782 8.7 201.582 8.4 117.0 120.571 120.									-		-		-								
Melispian (MS) 7,5280 -0,0084 165 - 365 7,8098 7,4092 75,5194 1.0 7,5447 -1.0 7,8566 -4.1 - Melispian (MS) -1,528 -0,0035 52 - 544 1.758 -0,0035 52 - 544 1.758 -0,0035 52 - 544 1.758 -0,0035 52 - 544 1.758 1.758 -0,0035 52 - 544 1.758	ioreal	(Shk)							-					-	larad	l	(844)		+0.0068	634 -	
New Zustland PG28 2.8374 -0.0123 365 -000 2.8445 2.8288 2.842 -1.8 2.8485 -1.5 2.8707 -1.2 101.8 New Zustland PG28 1.7538 -0.0037 502 -544 1.755 PPRipprines Peace 7.86800 -0.0 500 -500 -8.00 4.846 7.8682 7.8687 7.8682 7.8785 7.8685 -1.8 7.8685 -1.8 7.8685 7.8687 7.8682 7.8687 7.8682 7.8785 7.8685 7.8687 7.8682 7.8687 7.8682 7.8785 7.8687 7.8682 7.8785 7.8687 7.8688 7.8687 7.8682 7.8687 7.8688 7.8687 7.8688 7.8687 7.8688 7.8687 7.8688 7.8687 7.8688 7.8687 7.8688 7.8687 7.8688 7.8687 7.8688 7	- Unicial	M	215,382	+2.98	2 285 -	179 215.5	40 212.66	0 214,017	7.6	211.752	8.7			117.0	Japa	n	(17)	133.075	+1.55	040 -	
Primpprines (Pasco) 70,0504 - 1286 344 - 468 71,9447 70,0702 71,896 - 13.5 73,2556 - 12.8 50,005 1.1 - 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9	Makajala	(MS)	7.5280				68 7.409	2 7.5194	1.D	7.5447	-1.0	7,8588	-4.4	-	Maje	50	0.63	4.5500	+0.045	450 -	550 4.720
### Services Service	New Zeelen		2.8378											101,9	New	Zecland	P(ZS)	1.7538			
Singapore (98) 2,2614 + 40,6774 TR - 262 2,262 2,8637 2,973 2,131 2,236 2,133 2,134 3,234 3,137 3,135	Philippines	(Peec)	70.8904	-1,29	344 -					73,2568	-13.3	\$1,0385	-14,3	-	Philip	pines	[Peso]	43,8000	-0.8	500 -	500 44,700
South African (R) 8,0771 -0.7011 728 - B10 8,0628 7,9987 8,1904 -10,0 8,2517 -8,6 8,2575 -7,2 - South African (R) 4,3905 40,7515 890 - 920 - 9205 80,000 - 7,310 - 10,755 - 309 2982,20 2905,30	Servil Arabi	L (SR)	8,0726	+0.012	7 707 -			8 6,066	1,3					-	Saud	i Arabe.	(SA)	3.7520	-0.0005	515 -	
South Korea Mirri 2811.34 -110 785 - 5.08 2862.20 285.20 73 73 73 73 73 73 73 7	Singepore	(58)	2,9214	+0.0574	176 - 3	242 2.92			-21.3		-10.7	3,0505	-4.5		Singa	erog	(88)	1,8050	+0.0315	030 -	
Telleum [18] 65.8634 40.7833 972 - 386 65.9305 65.1622 95.7905 1.6 86.8717 1.4 86.1296 1.3 - Telleum [18] 91.7816 - 4.201 288 - 0.87 92.1910 85.5740 93.0748 - 1.71 95.2688 - 15.1 104.596 - 14.0 - Telleum [18] 94.5155 - 40.8905 810 - 500 92.7000 77.000 77	South Africa	(P)	8,0771	+0.1011	732 - 8	mo 8.06	28 7.988	7 8.1504	-10.9	8,2517	-8.6	8.6576	-72		South	Africa	A	4,9905	+0.0615	890 -	920 4.996
Treatment [86] 81.7800 4.231 288 - 087 92.1910 83.5740 93.0740 -17.1 95.2368 -15.1 104.596 -14.0 - Treatment in the Power Spot attain allower only to team decrease places. Survey from control for registed. Similar 102.0746 97.7 10.0 10.0 10.0 10.0 10.0 10.0 10.0 1	South Korea	Mon	2911,24		758 x 3	509 2962	20 2805.3	D		-				-	South	Korta	(Won)	1737.00	-72	500 -	900 1850.0
The property is an B. Biddeline growth in the Poure Spot state afrow only the last dress describe pieces. Similar holes colorated by the Bark of Brigand. Stam 2. Bidsofter agreeds on the Dotte Spot tax property in the Poure of Spot tax property in the COORES SPOT and POWNING PO	Taken	(18)	65,8634	+0.7533	972 -	295 55.53	06 55,192	2 55.7906	1.6	55.5717	1.4	55,1296	1.3	-	Talve	in .	(18)	34,5155	+0.3896	810 -	500 34.610
CROSS RATES AND DERIVATIVES	Thefand	(194)	81.7696	+4,201	295 - 1	92.19	10 89.574	33.0748	-17.1	95.2368	-15.t	104,598	-14.0	-	Theile	ind	(80)	56.7000	+2475	000 -	000 \$7,000
CROSS RATES AND DERIVATIVES EXCHANGE GROSS TATES Deep Discreption on the interpretary and interpretary in the interpretary i	t Rates for Ja	n B. Bidlell	er apropials in	a des Pour	d Spot sal	in show only	the last three	decimal pla	cas. Start	na Index o	niculana:	by the Be	rik of En	atend. Beer	1 906	rain pu	S for Jan	9. Bisive	er spread	in the l	Doter Sect tabl
Second S	فيسمعمن	الماجم			_	TIVES															
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Mir :	0.6607	0.6855	+0.0034			8,916	57,786	Mar			1.6118	+0.0
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9250	0.27	0.43	0.62	0.07	0.08	**0.10
9275	0.10	0,26	0.43	0.15	0.16	0.16
8800 -	0.03	0,14	0.29	0.33	0.29	0.27
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	7.25	Hongicong & Shenghal 7.25	Martin di Loron
Brit Blu of Mid East	7.25	Investor Bank (UK) LL17.25 .	Investment Banking
Gironn Shipley & Co Ltd		Julian Hodge Bank 7.25	Association
Ciliberik NA	7.25 ·	GLeopold Joseph & Sons 7.25 Llowds Bank 7.25	* In administration
Clydesdale Bank		Midlend Bank - 7.25	
The Co-operative Ban		Nati Westminster 735	
Coutis & Co	7.25		
Cyprus Popular Bank	7.25	Royal Blue Scotland 7.25	
	725	Scotlish Wittows Benk 7.25	1
Doncan Laurie			

8,1/2 201.	107,3	0.732 1.0	03 0.071	1.50/ 1,0	50 144.3	1					
icipio, Lisa and Peasts per 100.											
LAPAN SE VEN FUTURES (MM) Yen 12.5m per Yen 100											
Open Latest Change High Low Est, vol Open int.											
Mar			0013 0.768		27,483	91,258					
-Ain			0008 -		1	2,170					
Sec	- 1	0.7829		~	1	326					
STERL!	SO FUTUR	ES (IMM) CS	2,500 per \$								
Mer	1.6070	6118 +0.	0060 1.612	1.5064	6,587	33,588					
Jun .			0046 1.805		26	1,335					
Вер	- 1	1.5980 +0.	0066 1.598	0 ~	2	5					
EMS E	UROPE	UN CUR	RENCY	UNOT RA	TE						
Jun 12	Ecu cen	. Rute	Change	% +/- from	5 50E	act Div.					
·	rates	against E	on day	080. ISSO	N WHITE	mit Ind.					
freiend	0.796709	0.79056	6 -0.003496	-1.02	3.51	7					
italy	1906.48				0.66						
Pintend	5.85424				0.40						
Specie	183.826				0.37						
PARTICIPA	197.398				0.24						
Prance	6.45863				0.20						
Demount	7.34585				0.20						
Germany	13.5485				0.02	-24					
Nethertand					0.00						
Beisten	39,7191				0.00						
		10.000									
NON ÉRM						1					
Greece .	298.265				-2.98	-					
UK.	0.798103			-15.21	20.53						
Percentage char between two of surrency, and is	nges are for go preade: the pare	ar a positive ch perange different ermitted percent	satos, Currenties arrigo denotes & v ou babween the a sope devision of EPIM, Adjusticia	est currecy.D ctust market an ste currecy's s	Regarde sive	Par the spile Takes for a Ph les Ecu					
	GLPHA SE		MS 231,250								
Strikes	la a	- CATTS -	***		PUTS -						
Price	Jen	Feb	Mer	dan	Feb	Mitt					
1.630	0.39	1.28	1.87	2.04	3.00	3.99					
.1.840	0.25	0.96	1.52	2.78	3.77	A.64					
1.650	0.13	0.71	1.23	3.66	A/51	5.24					
. Providus day's	wal, Galls 19	Puty 896 . Pr	tv. day's open i	nt., Com 28,34	8 Pats 22,9						
N PHILADI	ELPHEA SE	D-MARK/	OPTIONS D	MEZ.500 (\$	per DMG	[

N PHIL	ADELPHI	SE D-F	4	OPTIO	MS DME	2,500 f	per DMG	
Strike			ALLS -		_		PUTS -	
Price	Jin	n i	Feb	Mar	J	90	Fab	Mar
0.545	. 0.6	2 :	1.05	1.35	0.	17	0.51	0.73
0.550	0.3	3 (3,77	1.06		37	0.73	0.91
0.555	0.1	_	1.55	0.83		50	1.01	1.22
Provinces (sey's vol., Ca	lle 105 Pub	s 483 - P	enc. day's	ápan int.,	CHALSE	87 Puts 17,	962

I THE	E HOHTH	EUROD	OLLAF	(MMM) S	Im poin	59 OF 100	<u> </u>	
. :	Open	Later	Che	nge 1	ligh	Low .	Est. val	Open in
Mar	94.52	94.57	+0.	.05 9	4.59	94.48	207,009	\$18,840
Jun "	94.59	94.66			4.89	94,50	225,245	
Sep .	94.54	94.69	+6.	.05 g	4.78	94.64	127,176	202,80
• • • •								
	EASURY	MLL FU		PAN \$	im per i	00%		
Mar -	95.37	95.45	+0.	09 A	5.48	65.37	2,200	8,257
Jun	95.49	95.50				95,49	128	1,819
Sep`	95.46	95,46	+0.	07 9	5.48	95,46	10	40
	जंबाका हिन्					-		
■ FORC	MARK OF	TICHE (UFFE) [Mins p	pints of 1	00%		
Striken			ALLS -				PUIS -	
Price · .		Feb	Mar	Jun	.	Feb	-	Jun
9625		0.15	0.16	0.15	0.02	0.03		0.15
9850			0.04	0.06	0.14	0.16		0.31
9875	0.		0.01	0.02	0.38	0.39		0.52
9700	0	Ð	٥	D	0.63	0.63	0.63	0.75
	rai, Calls 37 STRASS FI							± 310076
Strike			uis -			==	PUTS -	
Price	Ma		lun	580	34		Jun	Sap
1875	0.00		06	0.06	0.2	8	0.40	0.51
2006	0.05		ne .	0.02	0.5		n as	n.72

JALECO LTD. (the "Company")

NOTICE to the holders of the Yen 3,000,000,000 Nil Coupon Resettable Convertible Bonds 2001 (the "Bonds")

NOTICE IS HEREBY GIVEN to the holders of the Bonds that the Company has appointed KOKUSAI Europe Limited as Custodian in respect of the Bonds in place of Yamaichi International (Europe) Limited and as agent of the Company as successor to Yamaichi Bonk (U.K.) Ple for the acceptance of service of process issued out of the courts of England in respect of any legal action or proceedings in respect of the Bonds and the Internation dated 15th November, 1996 relaxing to the Bonds, with effect from 9th Jamuary, 1998.

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and by Morgan Guaranty Trust Company of New York as Principal Paying Agent

Dated: 13th January, 1998

SALDMON SMITH BARNEY HOLDINGS INC

(Formerly Satomon Inc)

(Forme

Jenuary 13, 1998, London By Cabask, N.A. (Coporas Agency & Tud) CITIBANCO

Argentina * Bahrain * Bangjadesh * Barbados * Belarus
Bolivia * Brazil * Bulgaria * Chile * Cuina * Colombia
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51,937.73 per \$100,000 note Agent: Morgan Guaranty Trust Company

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We are pleased to announce that

95.69 95.72 95.74 95.89

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95.58 95.71 95.75 85.87

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Indonesian crisis hits commodities

Indonesia's sharp devaluation has brought little comfort to the country's commodity producers, with difficulties facing all three main sectors of palm oil, rubber and timber, economists and bankers sav.

currency would boost the profits of commodity companies whose products are priced in dollars, but palm oil producers have been unable to take advantage of this because the government has banned exports in the secure supplies and keep

domestic prices down. Ironically, this has helped

palm oil would be Indonesexport commodity.

The share prices of the two listed plantation companies, London Sumatra and Astra Agro, have been badly hit as a result of the ban and first-quarter results output, which has affected are likely to be extremely Normally, a cheaper local disappointing, says another analyst.

Economists say they expect the International Monetary Fund to press the government to lift the export han in this week's negotiations over a strengthened economic reform programme. But there could be resistence because of fears of social unrest, says Mr David Chang of Trimegah Securipush up palm oil prices in ties. The government is even

Hoare Govett. Normally, supplies of cooking oil and other staple foodstuffs as the ia's sixth or seventh largest crisis in financial markets intensified last week.

Nor is the outlook encouraging in other sectors. The financial crisis in Thailand has prompted rubber producers there to increase their international prices.

Thailand had previously been expected to wind down its rubber production, while Vietnam has increased the acreage under cultivation. In Indonesia, a shortage of investment capital has slowed the process of converting rubber plantations to the normally more lucrative palm oil, says Ms Safford.

Plywood producers are wrestling with a sharp fall in the international price of international markets, says less likely to change its timber as building sector Agnes Safford of ABN Amro mind after shops ran out of demand drops in South problems are short-term. some of whom have been



Shortage of capital has slowed the conversion of Indonesian rubber plantations to palm oil

Korea, Japan and China Indonesia has some advanwhich are Indonesia's main timber companies to raise mass. he says. dollar debt and they are now

tages because land and markets. Dollar revenues labour are cheap and the have encouraged Indonesia's country has a bigger land Less clear is how the

being squeezed as prices fall, devaluation has affected But Mr Chang believes the pulp and paper producers,

the IMP last October, Beonomists say it has proved diffiobtained by Indonesian pro-

lysts are reducing their fore-

casts for the performance of

the South Korean economy

almost continuously. He

points out that South Korea

is the fourth biggest alumin-

ium, copper and zinc con-

sumer outside the former

Communist bloc and the

(excluding Chins) accounted

for nearly 34 per cent of

western copper consumption

and nearly 60 per cent of

growth in demand over the

past 10 years. It accounted

for nearly 39 per cent of

western consumption of

His analysis shows Asia

fifth biggest user of nickel.

international capital markets even since the country first sought assistance from cult to track the prices

Challenge to UN team by Iraq lifts oil

MARKETS REPORT By Robert Corzine, Kenneth Gooding and Gary Mead

A fresh Iraqi challenge to the national composition of the latest UN arms inspection team to enter the country underpinned world oil markets yesterday.

The move helped reverse a sharp fall in early trading on London's International Petroleum Exchange, when renewed worries about Asian economies caused crude to sink to a 45-month low; at one stage Brent Blend for February delivery was quoted at \$15.10 a barrel, down 40 cents.

The Iraqi threat to ban the team from carrying out their mission helped prices recover to around \$15.50 a barrel in late London trad-

Silver continued to be hit by worries that US lawyers might launch a class action alleging the market is being manipulated and the price dropped another 19 cents, or more than 3 per cent, to \$5.50 a troy ounce.

GNI Research said in its daily commodities report it was unlikely any legal action would be taken but the wave of selling "suggests that a word may have been put in the appropriate ear by the authorities"

Peter Fava, head of preclous metals at HSBC Midland and chairman of the London Bullion Market Association, said: "We have seen things that suggest the [silver] market is being squeezed. We think the source of the squeeze is in the US and we think it's the investment funds in the US who are doing it."

The game was up for the speculators involved in the squeeze. "Indian demand starts to fall once prices rise above \$5 and a large amount of new mine production is scheduled to arrive this year from BHP's Cannington

mine in Australia." On the London International Financial Futures Exchange coffee futures slid further, the March contract closing \$25 lower at \$1,720, having touched a high of \$1,750 during the day.

Cocoa was hit by selling by investment funds and closed at its lowest point since early December, down £24 at £1 024 a tonne, an 11.5 per cent drop in four weeks.

record 2.8m bushels of soya beans and 9.8bn bushels of maize this year, according to estimates from Chicagobased analysts AgResource. At that level of production

farm prices would average \$5.75 a bushel, against the US Agriculture Department's estimate of \$6.20 to \$7 for the 1997 harvest; the US soyabean stockpile would rise slightly, to 399m bush-

March soyabean futures on the Chicago Board of Trade were 2% cents lower in early trading at \$6.68 a bushel, largely on fears over weakness in Asia's financial markets.

Analysts said yesterday they saw the Asian financial crisis acting as a bearish factor for world wood pulp prices for the first half of 1998, with Goldman Sachs forecasting an average for

the year of \$570 a tonne. In the middle of 1997 some pulp industry forecasts had projected \$700 a tonne for 1998. On the OMLX in London vesterday the March pulpex contract traded

Copper, nickel to suffer most from Asian turmoil

By Kenneth Gooding Mining Correspondent

Copper and nickel are the base metals most likely to suffer big drops in demand because of the Asian economic crisis. Aluminium is the least exposed, according to Alan Williamson, analyst at Deutsche Morgan Gren fell, part of Deutsche Bank.

Copper prices dropped to their lowest in four years this week and those of aluminium, nickel and zinc to their lowest for 12 months because of poor sentiment caused by the Asian situation. Analysts believe the slowdown in Asia is likely to lead to a fall in construction activity and in car and truck output - two critical sectors for metals demand.

Mr Williamson warns of further price weakness for dow publication, Mr William- to western Europe and growth and direct metals down manifests itself."

Base metals exposure to Asia

•	cobber 4		Legg	ZINC	PROPER	
Metal consumption 19	96 (tonnes	000)				
Ania	3,605	4.657	1,273	1,929	336	
Rest of the world					532	
Total	10,644	17,409	5,126	6,204	.888	
% Auta	33.0	26.6				
Growth in consumption						
Ass.	1,682	1,948	506	_SE1是;	7184	
Rest of the world	1,178	2,748	459	735	120	
Total	2,860	4,682	986	1264	284	
66 Anta	58.8	41.B	52.4	41.4	67.A7	

metals in coming weeks. Analysts at Macquarie Equities, part of the Australian banking group, agree. "We expect the first quarter of this year to be the worst for these metals," they say in their Commodities Report. In Deutsche's Metal Win-

London Metal Exchange son says that, even in those Asian countries where physiremains firm, concern about the fragility of the banking systems is making some traders and producers unwilling to extend credit to Asian consumers. This has led to metal being diverted

had a further depressing on a global basis exporting is effect on sentiment in these regions even though local demand remains strong".

The Macquarie analysts, Jim Lennon and Adam Rowley, suggest Asian consumers unable to obtain foreign exchange or letters of credit are having to draw metal from stocks they built up in the last quarter of 1997. The outlook for Asian

whole still appears to be

deteriorating and doubts

continue to be expressed about the ability of Asian countries to export their way out of trouble," they say. "If exports are increased to is at the expense of products

North America "and this has demand in those countries a zero-sum game."

Macquarie says it is almost impossible to reach a definitive view in such rapidly changing circumstances, but it believes the Asian slowdown will knock 1 to 2 percentage points off global growth rates for all LME metals compared with 1997. 'While this weaker

demand might be somewhat demand for the year as a offset by strong European and US demand, we question whether this will be enough to prevent any of the main metal markets sliding into supply surplus in 1996," say Mr Lennon and Mr Rowley.

"Metals prices will bounce third country markets, that from present depressed levels but further weakness is produced in those countries on the cards as the full and reduced economic extent of the Asian slow-

nickel and almost 58 per cent of the increase in demand since. In contrast, only 26.6 per cent of alumin ium demand and 42 per cent of the rise in demand came

MEAT AND LIVESTOCK

LIVE CATTLE CME (40,000lbs; sents/lbs

66.550 -0.200 67.100 66.475 5,559

71.800 -0.100 71,780 71.450

III LEAN HORS CME (40,000/los cares/foul

67.276 +0.200 67.800 67.050 2.213 20.252 88.325 +0.150 68.700 68.150 691 70.625 +0.075 70.625 70.400 272

57.600 +0.575 58.225 57.025 3,626 21,682

96.325 +0.650 96.850 55.800 2.936 11,795 94.125 +0.675 94.850 93.500 1,316 7.522 93.875 +0.750 64.600 93.125 513 2,882

Ted Arnold, analyst at Merrill Lynch, who had forecast a \$7 an ounce silver price, said he now expected slightly lower, at \$478.25.

JOTTER PAD

COMMODITIES PRICES BASE METALS LONDON METAL EXCHANGE M ALLEMENIUM. 99.7 PURITY (\$ per tonne) 1444-5 1472-2.5 1472-3 Kerb close 267,285 78,139 Total daily tumove E ALUMENIUM ALLOY (\$ per torine 1333-5 1346-48 1335/1330 1313-8 1326-35 1300-05 1325-35 1525-30 Open int. Total daily tumove 1,308 ■ LEAD (& per tonne Close Previous High/low AM Official Kerb close 548.5-9.5 572-73 567/543 553-4 545-6 Open int. Total daily turnover 31,692 9,084 NICKEL (S per tonne) Close 5580-90 5680-90

Previous	5670-80	5765-70
High/low		8760/5640
AM Official	5565-70	5065-75
Kerb close		5680-85
Open Int.	85.364	
Total daily tumover	23,420	
TIN (\$ per tonne	n	
Close	5090-100	5120-25
TOVIQUE	5220-30	5240-50
-ligh/low		5230/5100
AM Official	B130-55	5165-70
Kerb close		5105-10
Open int.	14,493	
Total daily turnover	4,972	
ZINC, special h	igh grade (\$ ç	per tonne)
Close	1051.5-2.5	548-9.5
Previous	1068.5-69.5	1091-92
High/low		1080/1068
AM Official	1046-7	1072-3
Kurb dose		1077-8
Open int.	76,614	
Total daily lumover	23,752	
COPPER, grade	A (S per tonn	lej _
Close	1630-31	1660-61
Previous	1640-41	1689.5-70.5
High/low	'	1672/1648
AM Official	1628.5-9.0	1659-60
Kerb close		1662-3
Open Int.	148,788	
Total daily furnover	47,358	
LIME AM Officia		

			,	7	
	lett Day		Low	Vol	Open
Jan 7-	4 (02) -0.1	5 74 80	73.35	516	755
74	4-40 -0.4	0 74.46	73 70	97	2,577
Mari 74	480 -0.5	D 7520	73.00	4,107	35,932
Apr 7:	5.25 -0.6	0 75.20	75.10	49	1.639
May 75	9.75 -0.5	5 75.00	74.90	328	5.580
Jun. 71	8.20 -0.6	0 76.20	76.20	59	1,699
Folial				5,770	SEATIS.
PREC				;	
(Prices sur				dì	
				-	
Gold(Troy Close		pnce 10-278.90	£ equi	v SFr	edniv
Opening					
Moming fi			172.57	4 40	220
Alternoon		78.90	172.32		
Day's Higt			172.32	U = 10	2.541
Day's Low					
Previous de					
Loco Ldn	Mean G	old Lend	lna Rai	ten Ma	1155
1 month	3	.79 6 m	onths.	~~ 1	3.78
2 months .					
3 months .					
Silver Fix		p/troy or	e US	ds e	quiv.
Spot		342.55		553.2	!5
3 months		343 00		551.5	10
6 months		343.40		549 7	3
1 year		341.85		546.2	5
0-140-1-	_			_	

\$ price 281.5-284.5

Gold Coins

C equiv

Sport 1.6029 3 miles 1.6157 6 miles 1.6083 9 miles 1.6011

HIGH GRADE COPPER (COMEX)

					di.		
Pre	clou	s M	etals	s co	ntin	ued	G
	CO CO						-
	Sett	Day's		lew	Yel	Opec int	
Jen	278.3					-	Je
Feb Apr	278.9 280.4	-0.3	281,9	260.0	2,673	7 103.7k 1 16.762	14
CINC ENA ENA	262.1 283.9					12,380 8,520	Ju Se
Oct Total	295.6	-0.8	i -		- 31 39.67	3,065	To
	ATINUI	E NYM	EX (50	Troy o	,		-
Jen	365.1					216 10,246	95. 30
Apr Jul	361.6 355.6	i –	359.5	358.0	418	605	Se
Oct Total	357.6	-	357.0	357.0	154	161	De Jel
E PA	LLADIL	MM NY?	MEX (10	0 Troy	02.; \$ /t	roy oz.)	Tel
Mar	224.40 221.15			221.00 220.00			
Total	218.15			218.00			He He
	VER C	OMEX (5	,000 Te	y 02.; (enis/iro	y (12.)	Sep
Jan		-15.3		566.0			De:
May May	547.5 548.0	-18.3	562.0	541,0	347		Tol
.H.	547,7 547.5						- -
Dog	647.0				156		Ma
TO COMME					I Coporcio	-	Seg
EN	ERG'	4					Tot
E CR	UDE O)00 ba	mile 5	_	Jan
		Day's		Low	Yel	Open	ille ille
Feb Mar	16.58 16.75		16.70 16.90			94,384 63,584	Jed Jes
Apri	16.98	-0.08	17.12	16.74	9,868	32,712	Se; Tet
May Jan	17.21 17.41	-0.05 -0.05	17.50	17.20	8,372	36,161 37,112	
Jest Total	17.60	-0.03	17.63			20,886 434,377	Jen Mari
CR	LEDE OF	L IPE (&barre	4			Ma
	Latest	Day's change	High	Low	Vol	Open	Atte
Pab	15.35	-0.15	15.50	15.10	17.2	47,979	Sep Tot
Apr	15.47 15.70	-0.10	15.62 15.81	15.46	4,500	71,679 22,572	
May Jun	15.81 16.02	-015 -0.12	15.99 16.16	15.86 16.66		15,188 20,431	Jen Mar
ani Total	16.30	+0.01	16.32	16.08	2,965 6/h	9,980	Mary Jud
HE HE	ATING (OIL MY	IEX (42,0	100 US g	ells: c/U	S gads.)	Aug Sep
		Oeg's change	High	Low	tint	Opes	Tob
Feb	46.30	-0.40	46.70	45.61			Max
Apr	46.80 47.30	-0.25	47.10 47.55	46.65	4,250	27,070 14,135	Apr.
May Jeso	47.70 48.05		47.95 48.30		2,250 1,752	13,735	Jan
Jel Total	48.65	+0.15	48.90	48.20	1,717 41,559	6,846 1 62,80 2	Tob
H GA	S OIL P	i Sen	9				Jan
	Sett price	Day's change	High	Low	Vol	Open	Feb
Jan. Feb	141 75			136.50 138 50		7,033	Mas Apr
Mar Apr	142,75	-3.25	143.50 145.00	140.50	3,070	12,416	Jel Tota
May	144.75	-275	147.50	145.00	2,338 1,223	3,370	略
Total		-2.75			37,952	11,064 95,788	Ρŧ
	TURAL						# F
Feb Mar	13.430 10.600				170 275	3,415 2,200	
Tiend D NA	TURAL	GAS IN	MEX 115	000 mm	e/a dan sa	n/a	Mer
	Latest	Day's				Open	Jun Teta
Feb	price 2.015 -	січиндо -0.031	High 2.030	1.985	Val 19,672	let 39,711	FIR
Mar	2.015	-0.031	2030	2.000 2.015	7,148	27,206	AB I

52.30 -0.51 53.00 51.80 15.540 38,002 52.60 -0.50 52.30 52.05 10,803 17,628

32.80 -0.30 32.80 17.82 \$5.00 -0.40 \$5.55 \$4.55 \$1.40 14.517 \$5.25 -0.15 \$5.60 \$4.70 3.831 11.407 \$4.80 -0.25 \$5.30 \$4.30 1.345 8.273 \$4.00 \$0.00 \$5.40 \$0.00 \$0.7279 \$40.907193.547

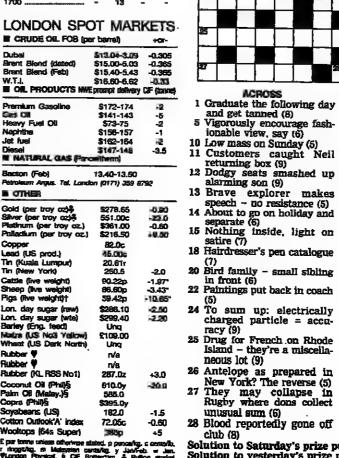
ets): best available, 204p (180p); 183p (171p); good medium, 180p (medium, 170p (152p); low medium The highest price realised this weel 204p for as Assem PF.

٠.	100		. 1.14		42								
	or co							RAINS					
	Sett			-	-	Open		Sett					0
M	278.3		e Hügb			init .	Jes			pe Hiligib S An oc	LONE 79.85		. '
,	278.9					103.7k	Hite	81.70	-0.20	82.1	81.70	24	1
pr	280.4					16,762	Hey				83.60		
	262.1 263.9			5 282.0 5 284.5		12,360	Jui Sap	65.70 81.00	-0.20	9077	66.00	15	
cŧ	295.6	-0.8	i -		- 31	3,085	Total					241	
	LATINUN		EV /60	Torus		197,969		MEAT C	3T (E,O	OCOU I	in; com	3600	bue
							Mar				319.25		
	365.1 361.6			363.0		215 10.245	رستند غون	328.70 386.25			326.50 334.00		
	355.8	-	359.5	358.0	418	605	Sap Dag	343.50	+2.50	344.00	343.00	137	•
	357.6	-	357.0	357.0	154	161	Deg Jul	354,50 358,00			352.00 357.00		
	ALLADIU	M NY	WEX (10	0 Troy	oz.; \$/t	roy oz.)	Tetal					18,055	
er	224.40			221,00		1.229	8 4	NOSTE CE	T (3,00	() tau m	-		38
m	221.15	-	221 15	220.00	20		Her	258.25					
	218.15	-	218.00	218.00	-	•	illey Jel	264.25 268.75					
_	LVER CO	MEX S	,000 Tn	oy 02: (ente/tro	y (22.)	Sep	268.50	-2.00	270.00	268.00	433	9
			•	566.0			Dec	272.00 278.00					
				540.5			Total		-			30,5503	
ay i				541,0 541,5		7,655 7.660	3 3.	ARLEY L	FFE (100 tor	nes; €	per for	110
6	547.5	-15.8	545.0	541.5	77	1,638	Jen			74.00			
×	647.0	-15.5	656.0	540.0		8,658	Hay		-0.65		76.50	15	1
_							Sep		+0.25		_	-	
N	ERGY	,					Total	OYABEA		-	-	4	_
	RUDE OF		EX (1.	000 ba	mile 5	banel	Jan						_
		Day's		-		Open	Jan Jan	664.75 665.25					
	-	_	High			int	Hay July	669.75					
è K			16.70 16.90			94,384 63,684	Ang	672.25 671.50					
			17.12			32,712	Sep	657.50	-1.50	658.00	955.00		
BY M			17.25 17.50		5,400 8,372		Total	DYABEA	100	CRT #	n anny	41,231	-
ž.				17.43	1,978	20,886	Jan .				24.28		
أحا					129,796	434,377	Mar	24.67	-0.19	24.86	24.51	15,719	57
C	INDE OF	, IPE (E/ban	4			Hay				25,00		
		Day's	High	Low	Vol	Open lot	Atog			35.10		3,433 667	
b				15.10		_	Sep Total	24.93	-0.07	24.96	24.90	63 26,747	
	15.47	-0.10	15.62	15.26	23,543	71,679		OYABEAN	MEA	T CBI	(100 to	-	
	15.70 15.81		15.81 15.99	15.46	1,400		Jan.	196.7	-		183.0		
ñ				15.6			Mar	194.5	+1.0	185.0	161.0	10,222	45
al	10.30	+0.01	10.32	16.08	2,900 8/a	9,980 6/M	May Jed	194.B 195.5	+1.1		190.9 192.8	4,369 2,470	
HE	EATING (HL KYN	IEK (42.)	000 US g	ells: c/U	S gads.)	Aug	197.3			193.S 194.0		6,
	-					Орея	Sep Total	197.0	-0.1	130.0	18400	23,336	
			High		Voi	(ext	■ PC	STATOES	LIFF	(20 to	rines;	E per to	m
			47.10	45.51 45.20	9,453		Mar	85.0	-25				_
,			47.55		4,250		Apr.	119.0	-25 -25	109.0	163.0	20	1,
0				47.10 47.50			Jes	125.0	-25	-	-	-	
	48.65	+0.15	48.80	48.20		6,846 1 62,80 2	Tobal	54.0	-	-	-	20	1
	S OIL P	Sen				IUCÇUUC	■ FR	स्थलार (ह	SIFFE	Q LIFTE	(\$10/i	ndez p	
	Sett	Day's				Open	Jan	1189	-25	1100	1180	27	
	price	change	_	Low	Vol	int	Feb Mas	1178	-25 -30	1175 1200	1175 11高	8	
5 5	141 75 140.75			136.50 138.50			'yar	1255 1120	-30 -30	125 1120	1260 1120	22 3	
ur .	142,75	-3.25	143.50	140.50	3,070	12,416	Total			1120	1120	86	1,
r Iy	144.75 146.75						88		Press 1224				
80	148.50				1,545	11,064			122-				
	TURAL (GAS P	E (1.000	iberies: o	37,952 ence per	-	PU	LP AI	ΝD	PAF	ER		
5	13,480 -				170		# PU	ILPEX O		IS\$: 24	altrothy	/ tons)	_
	10.600				275	2,200		Sett price		-	Low	Vol	Ope in
_	TURAL	245 10	MEY MI	1001	D/S Districts	IV8	Mer	478.25				40	-
	Latest		INCA (III	CLARE CHI	- Sept. 30		Jun	497.00				56	- 3
	price		High	Low	Yel	Committee of the Commit	Total		-			120	7
,				1.985				ures data		led by	CMS.		
	2.015 - 2.020 -				7,148 #,582					•			
•	2.035 - 2.065 -	-0.020	2.050	2.035	1,968								
	2.090 4			2.085	711	10,401	Tea	a from Ti	те Тез	Broke	rs' Ass	ociation	1
e De			u ===		39,798 1	92,143	Lan	ded: The mand. Ass	re wa	wary:	Strong	and ad	ılı
	LEADED IEX (42,00)			(zilis)			ofte	n more ƙ	or cok	oury bri	ighter 1	ypes. (3
	Latest					Open] and	ans appo 20 pend	a. Off	shore:	There	was q	000
	price (بومندا		Line	Yel	int	dem	rend at cations	deare	rates	. Lan	ded p	rice
	67.70	O E1	C1 00	Of EA	IE CHY!	TE 4000							_

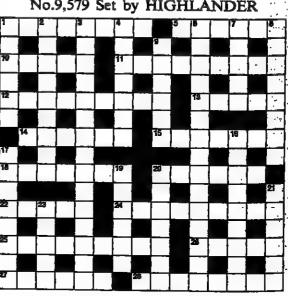
GF	RAINS	AN	ID C	DIL :	SEE	DS	SOF	-TS						
							H 00		TE (10	torne	E E/for	me	. , .	<u>.</u>
	Seit	Day				Open	. ——	Sett.	Day's				Open	
	-	_	e High 80.00			ist et	Mer	price 1	obsorgu -24	High 1042			. 63.867	,
			82.15			3,018		1060	-23		1050	1,656	25,80	
iny ui			84,10			3,646 492	Jei Sep	1071 1983					12,370	
	81.00				_	38	Dec	1119		1137	1121	966	27,99	F
أحثه					241	-	liber Total	1144	-20	1157	1145	946	17,817	7
	HEAT CE					_		QQA CB	CE (10	torvne	ı: S/tor	Ynes)		
ler lev						59,821 13,793	Mar	1541		1568	_	_	35.95	
ď	386.25	_	338.50	334.00	3,060	20,811	Hay	1577		1594	1570		23,086	
90 80	343.50 354.50					1,158 2,961	Jul Sep	1808 1832			1630		5,576 5,547	
	358.00	-	358.00	357.00			Dec	1864					9,581	
del CM	ALEXE CH	T 15.00	O the vot		,	67,567 Sectors	Har Total	1091	-40	1700	1000		9,061	
				_	_	184,223	E 00	00A (IC	CO) (SI	OR'a/to	nne)			
in.	284.25	-2.00	265.75	263.00	4,647	55,260					ice		ter. de	
	268.75 268.50					63,622 9.064							1261.19	3
ip M	272.00	-1.75	273.75	271.00	3,329	36,516		1798	_			<u> </u>	5 000	
	278.00	-1.78	276.76			1,843	Jen Mar	1720	-2 -25		1750 1710		75,525	
	URILEY L	IFFE (1	00 ton				May Jill	1704 1164		1730 1712	1695 1685		9,267	
1			74.00				Styp	1689		1890	1685	13		
	76.25 77.25		77.08	76.50			Nov Total	1689	-21	1895	16	10	36)
Ģ	78.25		Ξ	=	-	6	-	TEE 'C'	CSCE	(37,50	Olba: c	enin/	bul	
					4	-,	Mer	159.70			155.00			-
_	YAREA						Hay	155.50	-2.05	157.55	151.00	1,682	6,265	i
	664.75 665.25					3,527 59,971	Sep	159.75 144.50					1,490	
y	689.75 672.25	+0.25	671.00	682.50	4,944	25,760	Dec	140.00	-200	140.00	135.00	83	1,245	i
4	671.50					4,676	Total	140,00	-22	136.75	135./0		23,485	
P	487 ES													
	991.30	-1.50	658.00	955.00	25	387	W 000	T= (IC	o) jus		pound			
tal					41,231	133,797	Jan 8		_			P	ree, de	Y
tal	YABEA	OIL	CBT (6	0,0000	41,231 at: card	133,797	Comp. d	PEE (IC)		127.	53	P	129.7 129.7	9
	24.38 24.67	-0.22 -0.19	24.60 24.86	0,000a 24,28 24,51	41,231 2,005 15,719	133,787 1,681 57,545	Comp. d 15 day a	ally		127.	E3 79	P	129.7	9
ex ex	24.38 24.67 24.07	-0.22 -0.19 -0.16	24.60 24.86 25.08	24.28 24.51	41,231 a: cavil 2,005	133,797 1,681 57,545 19,052	Comp. d 15 day a 15 WHI	ally werage _ TTE SUG 298.5	AR UF	127. 127. FE (50	13 79 tonner 297.5	5,050	129.7 128.5 128.5 21.907	9
	24.38 24.67 24.67 25.08 25.02	-0.22 -0.19 -0.16 -0.13 -0.08	24.60 24.86 25.08 25.16 25.10	24.28 24.51 24.51 24.00 24.95	41,231 2,005 15,719 4,120 3,433 667	1,681 57,545 19,052 14,263 4,104	Comp. d 15 day a 15 WHO	elly werage _ TTE SUG 298.5 201.0	AR UF	127. FE (50 302.5 306.0	E3 79 tonnes 297.5 301.0	5,050 2,244	129.71 128.3 (mne) 21.907 8,673	9
	24.38 24.67 24.67 25.08 25.02	-0.22 -0.19 -0.16 -0.13 -0.08	24.60 24.86 25.08 21.18	24.28 24.51 24.51 24.00 24.95	41,231 2,005 15,719 4,120 3,433 667 63	133,797 1,661 57,545 19,052 14,263	Comp. d 15 day a 15 WHI May Aug Oct	ally werage TTE SUG 298.5 301.0 344.5 300.0	-4.3 -4.5 -4.5 -3.0	127. FE (50 302.5 306.0 307.0 302.2	53 79 tonnes 297.5 301.9 304.5 300.0	5,050 2,244 239 95	129.7 128.3 (mne) 21.907 8,673 5,037 4,855	9
	24.38 24.67 24.67 25.08 25.02	-0.22 -0.19 -0.16 -0.16 -0.08 -0.07	24.60 24.86 25.08 25.16 25.10 24.96	24.28 24.51 24.51 25.00 24.95 24.90	2,005 15,719 4,120 1,433 667 63 26,747	1,681 57,545 18,052 14,263 4,104 1,710	Comp. d 15 day a 15 WHI May Aug	elly Nerage _ TTE SUG 298.5 301.0	-4.3 -4.5 -4.5 -3.0	127. FE (50 302.5 308.0 307.0	53 79 tonnes 297.5 301.9 304.5 300.0	5,050 2,244 239	129.7 128.5 71.907 8,673 5,037	9
	24.38 24.67 25.08 25.02 25.02 24.93 27.03 26.07	+0.22 +0.19 -0.16 -0.13 -0.68 +0.07	24.60 24.86 25.08 25.10 24.96 L CET	24.28 24.51 94.63 25.00 24.95 24.90 (100 to	41,231 2,005 15,719 4,120 1,433 667 63 28,747 ones: \$/1	133,78 1,681 57,545 18,052 14,253 4,164 1,710 181,528 con)	Comp. d 15 day a 15 day a 18 WHI Mary Aug Oct Dec Tetal	ally werage TTE SUG 298.5 301.0 344.5 300.0	4.3 -4.3 -4.5 -4.5 -4.5 -1.7	127. FE (50 302.5 308.0 307.0 302.2 304.5	277.5 277.5 301.0 304.5 300.0 303.0	5,050 2,244 239 95	129,7 128,3 7nne) 21,907 8,673 5,037 4,855 215	9
m ary potest SC	24.38 24.67 34.07 25.09 25.02 24.93 NYABEAN 196.7 194.6	+0.22 +0.19 -0.16 -0.13 -0.08 +0.07 +1.3 +1.0 +1.1	CBT (0) 24.60 24.86 25.08 25.16 25.10 24.96 L CBT 196.9 185.0	24.28 24.51 24.95 24.95 24.95 24.90 (100 to 190.9	41,231 2,005 15,719 4,120 3,433 667 63 28,747 ones: \$A 4,424 10,222 4,369	133,787 1,661 57,545 18,052 14,253 4,104 1,710 101,520 con) 9,304 15,216 25,968	Comp. d 15 day a 15 will Mary Ang Oct Dec Turn Mary	298.5 300.0 303.2 4AR "11"	43 -43 -45 -45 -47 CSCE	127. FE (50 302.5 308.0 307.0 302.2 304.5 (112.0)	297.5 301.0 304.5 300.0 303.0	5,050 2,244 239 95 31 3,020	129.7 128.3 17me) 21.907 8,673 5,037 4,855 215 (be) 88,058	9
mary special sc	24.38 24.57 34.07 25.08 25.02 24.93 27.48EAN 196.7 194.8 196.5	+0.22 -0.19 -0.16 -0.13 -0.08 +0.07 +1.3 +1.0 +1.1	CBT (0) 24.60 24.66 25.06 25.16 25.10 24.96 1. CBT 196.9 185.0 196.9	24.28 24.51 24.95 24.95 24.95 (100 to 193.0 193.0 193.0	41,231 2,005 15,719 4,100 3,433 667 63 28,747 ones: \$A 4,424 10,222 4,369 2,470	1,681 1,681 1,681 14,253 4,194 1,710 101,525 con) 9,304 25,968 17,935	Comp. d 15 day a 15 day a 15 will Mary Ang Ang Ang Dec Tetal Mary Mary Mary	298.5 201.0 298.5 201.0 200.5 300.0 303.2	43 -4.5 -4.5 -1.7 CSCE	127. FE (50 302.5 308.0 307.0 302.2 304.5 (112.0 11.72 11.46	297.5 301.0 304.5 300.0 303.0 008bs; (11.451 11.25	5,050 2,244 239 95 31 200 5,971	129,71 128,3 (mne) 21,907 8,673 5,037 4,855 215 (lbe) 88,058 38,060	
	24.38 24.67 34.07 25.09 25.02 24.93 NYABEAN 196.7 194.6	+0.22 -0.19 -0.16 -0.13 -0.08 +0.07 +1.3 +1.0 +1.1 +0.6	CBT (0) 24.60 24.86 25.08 25.16 25.10 24.96 L CBT 196.9 185.0	24.28 24.51 24.63 24.95 24.95 24.90 (100 to 193.0 193.0 193.8 193.8	41,231 2,005 15,719 4,120 3,433 667 63 28,747 ones: \$A 4,424 10,222 4,369 2,470 807 812	1,681 1,681 57,545 18,052 14,253 4,104 1,710 101,220 con) 9,304 15,216 25,968 17,935 6,904 4,311	Comp. d 15 day a WHI Mary Aug Aug Dec Team Mary Mary Mary Mary Jud	298.5 298.5 298.5 300.0 303.2 4AR "11" 11.46 11.12 11.13	-4.3 -4.5 -4.5 -1.7 CSCE -0.21 -0.19	302.5 302.5 306.0 307.0 302.2 304.5 (112.0 11.72 11.45 11.25	297.5 301.0 304.5 300.0 303.0 11.451 11.25 11.12	5,050 5,050 2,244 239 95 31 3,020 5,971 2,326 1,408	129.7 128.3 (mme) 21.907 8,673 5,037 4,855 215 (lbe) 88,058 38,060 28,458 31,510	9
	24.38 24.57 34.57 25.08 25.02 24.93 57.48 196.7 194.8 195.5 197.0	+0.22 -0.19 -0.16 -0.13 -0.08 +0.07 +1.3 +1.0 +1.1 +0.6	24.60 24.86 25.08 25.18 25.10 24.96 24.96 1.05.0 196.9 185.0 196.0 198.0	24.28 24.51 24.51 24.90 24.95 24.90 (100 to 193.0 190.9 192.8 193.5	41,231 2,005 15,719 4,120 1,433 667 63 28,747 ones: \$A 4,424 10,222 4,369 2,470 817 812 23,336	1,561 57,545 18,062 14,263 4,104 1,710 101,520 500) 9,304 15,216 25,958 17,936 6,904 4,311 114,588	Comp. d 15 day a WHI Mary Aug Aug Dec Team Mary Mary Mary Mary Jud	298.5 298.5 298.5 201.0 201.5 300.0 303.2 4AR "11" 11.46 11.26 11.12	AR UF -4.3 -4.5 -1.7 CSCE -0.21 -0.19 -0.16	127. FE (50 302.5 308.0 307.0 302.2 304.5 (112.0 11.72 11.45 11.25 11.25 11.21	297.5 301.0 304.5 300.0 303.0 11.451 11.25 11.12 11.12	5,050 5,050 2,244 239 95 31 3,020 5,971 2,326 1,408 317	129.7 128.3 (mme) 21.907 8,673 5,037 4,855 215 (lbe) 88,058 38,060 28,458 31,510 7,055	
	24.38 24.37 25.09 25.02 24.93 DYABEAN 196.7 194.8 196.5 197.0	+1.3 +0.7 +0.16 -0.16 -0.13 -0.08 +0.07 +1.3 +1.0 +1.1 +0.7 -0.1	24.60 24.86 25.08 25.18 25.10 24.96 24.96 1.05.0 196.9 185.0 196.0 198.0	24.28 24.51 24.51 24.90 24.95 24.90 (100 to 193.0 190.9 192.8 193.5	41,231 2,005 15,719 4,120 1,433 667 63 28,747 ones: \$A 4,424 10,222 4,369 2,470 817 812 23,336	1,561 57,545 18,062 14,263 4,104 1,710 101,520 500) 9,304 15,216 25,958 17,936 6,904 4,311 114,588	Comp. 6 Comp. 6 15 day 2 18 WHI The William Ang Oct Tetra Mary Ang Oct Mary Total Total	298.5 298.5 298.5 298.5 300.0 303.2 248.**11.* 11.26 11.12 11.13 11.11	AR UF -4.3 -4.5 -1.7 CSCE -0.17 -0.19 -0.11	127. 127. 127. 127. 127. 127. 302.5 308.0 307.0 302.2 304.5 (112,0) 11,72 11,46 11,25 11,21 11,18	297.5 301.0 304.5 300.0 303.0 11.451 11.25 11.12 11.12 11.11	5,050 2,244 239 95 31 3,020 1,408 317 155 4,010	129.7 128.3 (mme) 21.907 8,673 5,037 4,855 215 (lbe) 88,058 38,060 28,458 31,510 7,055	
many and services of the servi	24.85 24.67 34.87 25.08 25.02 24.93 196.7 194.8 196.5 197.0 197.0	+0.22 -0.19 -0.16 -0.13 -0.08 +0.07 4 MEA +1.3 +1.1 +0.6 +0.7 -0.1 : LIFFE	24.60 24.86 25.08 25.18 25.10 24.96 24.96 1.05.0 196.9 185.0 196.0 198.0	24.28 24.51 24.93 24.90 24.90 (100 to 193.9 193.8 193.5 193.5	41,231 2,005 15,719 4,120 1,433 667 63 28,747 ones: \$A 4,424 10,222 4,369 2,470 817 812 23,336	1,661 1,661 57,545 11,062 14,253 4,104 1,710 181,320 con) 9,304 15,256 17,935 6,904 4,311 14,569	Comp. 6 Comp. 6 15 day 2 18 WHI The WH	298.5 298.5 298.5 300.0 303.2 4AS "11" 11.46 11.26 11.12 11.13 11.11 11.11	AR LIF -4.3 -4.5 -1.7 CSCE -0.19 -0.19 -0.16 -0.11	302.5 302.5 308.0 307.9 302.5 304.5 (112.0 11.72 11.45 11.25 11.21 11.18	297.5 301.0 304.5 300.0 303.0 008bs; (11.45) 11.12 11.12 11.11 17.11	5,050 5,050 2,244 239 95 31 2,326 317 1,408 317 155 4,010 1,600	129.7 128.3 7me) 21.907 8,673 5,037 4,855 215 (lbe) 88,058 38,060 38,060 7,055 1,468 197,857	
many part SC	24.38 24.57 25.08 25.02 24.93 27.48EAN 196.7 194.5 197	+0.22 -0.19 -0.16 -0.13 -0.08 +1.07 +1.1 +0.6 +1.3 +0.7 -0.1	24.60 24.86 25.08 25.16 25.16 25.10 24.96 1.05.0 1.05.0 1.05.0 1.05.0 1.05.0 1.05.0 1.05.0 1.05.0	24.28 24.51 24.93 24.90 24.90 (100 to 193.9 193.8 193.5 193.5	41,231 2,005 15,719 4,120 3,433 667 63 28,747 ones: \$A 4,424 10,222 4,369 2,470 807 812 22,338 2 per to	1,661 57,545 11,062 14,253 14,253 14,253 16,001 9,304 15,204 15,204 15,204 17,935 6,904 14,150 14,150 14,150	Comp. 6 Comp. 6 15 day 2 18 WHI The William Ang Oct Tetra Mary Ang Oct Mary Total Total	298.5 298.5 298.5 300.0 303.2 4AS "11" 11.46 11.26 11.12 11.13 11.11 11.11	-4.3 -4.5 -4.5 -1.7 CSCE -0.21 -0.19 -0.11 CE (50	127. 127. 127. 127. 302.5 308.0 307.9 302.2 304.5 (112.0 11.72 11.46 11.25 11.25 11.21 11.18	297.5 301.0 304.5 300.0 303.0 11.451 11.25 11.12 11.12 11.11	5,550 5,050 2,244 239 95 31 2,326 317 1,55 14,610 9,606	129.7 128.3 1000) 27.907 8,673 5,037 4,855 215 104) 88,058 38,060 28,458 31,510 7,055 1,468 197,857	
	24.85 24.87 25.08 25.02 25.02 24.83 196.7 194.6 194.6 197.0 197.0 197.0 105.0 105.0	+0.22 -0.19 -0.16 -0.13 -0.08 +0.07 4 MEA +1.3 +1.1 +0.6 +0.7 -0.1 : LIFFE	24.60 24.86 25.06 25.16 25.10 24.96 196.9 185.0 196.7 197.0 196.0	24.28 24.51 24.95 24.95 24.95 24.95 (100 to 193.0 193.5 193.5	41,231 2,005 15,719 4,120 3,433 667 667 667 67 687 687 687 687	1,581 1,581 57,545 14,253 4,194 14,253 4,194 15,216 25,988 17,935 6,904 4,311 114,569	Jam 5 Comp. d 15 day 1 15 day 1 18 WHI Ther Mary Ang Oct Dec Tutal 18 \$400 Oct Mar Mary Total in COT Mory Jei	298.5 300.0 303.2 11.46 11.46 11.12 11.13 11.11 11.11 11.11 10.1 NY 65.58 67.61 68.33	-4.3 -4.5 -1.7 -1.7 -2.1 -0.19 -0.16 -0.11 -1.84 -0.35	127. 127. 127. 127. 127. 130. 130. 130. 130. 130. 11. 11. 11. 11. 11. 11. 11. 1	E3 79 torines 277.5 301.9 304.5 300.0 303.0 0005s; 11.451 11.12 11.11 11.11 15.11 2 55.52 56.32 56.30	\$\frac{8}{5},\$\frac{8}{5},050\$ \$5,050\$ \$2,244 \$95 \$31 \$2,326 \$31,020 \$317,2326 \$4,010: \$4,010: \$4,010: \$4,010: \$2,700	129.7 128.3 7me) 21.907 8,673 5,037 4,855 215 1be) 88,058 38,060 28,458 31,510 7,055 1,468 197,857 15,174	
	24.83 24.67 25.08 25.02 24.93 196.7 194.8 197.0 197.0 197.0 198.0 119.0 125.0 125.0	+1.3 +0.07 -0.16 -0.16 -0.16 +0.07 +1.3 +1.0 +1.1 +1.1 +0.7 -0.1 -0.5 -0.5 +1.7 -0.1 -0.5 -0.5 +1.7 -0.5 -0.5 -0.5 -0.5 -0.5 -0.5 -0.5 -0.5	24.60 24.80 24.86 24.86 24.96 24.96 24.96 195.0 196.9 195.0 196.9 197.0 198.9	24.28 24.51 24.51 24.90 24.95 24.95 24.95 190.0 190.0 190.0 190.0 190.0 190.0 190.0 190.0	41,231 2,005 15,719 4,190 16,732 667 28,747 28,747 10,222 4,369 807 812 22,338 6 2 per tr	1,587 1,681 1,681 1,681 1,702 14,253 4,194 1,710	Comp. 6 15 (by 2 18 WHI Bury Aug Oct Tutal Bu Suc Mary Aug Oct Mary India Mary Total Im COT Her Get Dec	298.5 298.5 201.0 200.2	AR UF -4.3 -4.5 -1.7 -1.7 CSCE -0.11 -0.16 -0.11 -0.18 -0.32 -0.32 -0.32	127. 127. 127. 127. 127. 129. 1302. 1302. 1302. 11.22. 11.24. 11.25. 11.21	2775 2775 2775 301.0 303.0 303.0 303.0 11.451 11.12 11.11 11.11 15.52 55.521 56.30 70.70	5,050 5,050 2,244 239 95 31 2,326 3,020 1,401 1,55 4,610 1,55 1,600 2,700 398 398 398 2,302	129.7: 128.3: 129.3: 129.907 1,907 1,855 215 1,686 1,488	
	24.87 24.87 25.08 25.02 25.02 24.93 97.48EAN 196.7 194.8 197.5 197.0 97.4 196.0 106.0 115.0	+0.22 -0.19 -0.19 -0.16 -0.16 -0.16 -0.17 -0.08 +1.0 +1.1 +1.1 +1.1 +0.7 -0.1 -0.1 -0.1 +1.0 -0.1 +0.0 -0.1 -0.1 -0.1 -0.1 -0.1 -0.1 -0.1 -	24.60 24.80 24.86 24.86 24.96 24.96 24.96 195.0 196.9 195.0 196.9 197.0 198.9	24.28 24.51 24.51 24.90 24.95 24.95 24.95 190.0 190.0 190.0 190.0 190.0 190.0 190.0 190.0	41,231 2,005 15,719 4,190 16,732 667 28,747 28,747 10,222 4,369 807 812 22,338 6 2 per tr	133,787 1,681 1,681 1,681 14,263 14,263 14,263 15,114 15,710 161,220 00n) 9,3004 4,311 1,710 15,296 1,044 4,311 1,4560 1,044 62 1,466 1,710 1,466 649	Jam 5 Comp. 6 15 day H Rer Many Ang Out Dec Tetral Re SUG Hair Many Jed Get Hair Many Jed Get Heir Many Jed Get Heir Many Jed Get Heir Get Get	298.5 298.5 201.0 200.2	AR UF -4.3 -4.5 -1.7 -1.7 CSCE -0.11 -0.16 -0.11 -0.18 -0.32 -0.32 -0.32	127. 127. 127. 127. 127. 127. 1302. 1302. 11.25. 11.25. 11.25. 11.25. 11.26. 11.27. 11.28. 11.29. 11.2	297.5 tornes 297.5 300.0 304.5 300.0 303.0 11.455 11.12 11.11 11.11 2 55.522 68.30 70.70 70.70 77.83 73.05	P, \$/155,	129.7(128.3) 17me) 27.907 4,855 215 7,955 1,468 88,058 38,060 7,955 1,468 82,857 14,857 1,458 14,857 15,174 15,174 15,174	
tel SC Printing Part SC Printing Part Part Printing Part Part Printing Part Part Printing Part Part Printing Part Part Part Part Part Part Part Part	24.82 24.67 25.08 25.02 24.93 24.93 196.7 194.8 197.5 197.6 197.6 197.6 197.6 197.6 197.6 197.6 197.6 197.6 197.6 197.6 197.6	+1.2 -0.19 -0.19 -0.13 -0.08 +1.3 +1.0 +1.1 +1.2 -0.5 -0.5 -0.5 -0.5 -0.5 -0.5 -0.5 -0.5	CBT (00 24.60 25.08 25.16 25.16 25.10 196.7 196.9 196.0 196.	0.000cc 24.26 24.51 24.51 24.95 (100 to 190.9 192.8 194.0 192.5 194.0 192.5 194.0 192.5 194.0 192.5 194.0 192.5 194.0 192.5 194.0 192.5 194.0 192.5 194.0 192.5 194.0 192.5 194.0 192.5 194.0 192.5 194.0 19	41,231 2,005 3,4120 1,433 667 1,433 667 28,347 4,224 4,369 2,470 812 23,336 2 per tr 20 20 nndex p	133,787 1,687 1,687 1,687 14,253 14,253 14,253 14,264 1,710 9,304 4,311 14,588 0,000 1,044 62 1,146 62 1,146 649 163	Jam S Comp. 6 15 day 2 If day 3 If day 4 If day 4 If day 5 If day 6 If day 6 If day 7 If day 6 If day 7 If	298.5 298.5 201.0 200.2	-1.7 -2.5 -1.7 -2.5 -2.1 -0.19 -0.16 -0.11 -0.8 -0.8 -0.32 -0.9 -0.62	127.7FE [50] 302.5 308.0 307.0 302.2 304.5 11.72 11.25 11.25 11.21 11.18 0.000æ 66.05 67.38 67.38 67.38 77.20 73.05	201.5 201.5 201.5 301.0 304.5 300.0 303.0 000bs; 11.45 11.12 11.12 11.11 11.11 11.11 11.11 12.11 15.5 66.92 70.70 71.93	P, 5, 5/1050 5,050 7,2244 2399 95 31 3,020 5,971 1,555 4,610 1,408 3,660 2,700 398 2,700 398 2,909 5,098	129.7/ 128.3/ 17.9(1) 27.9(1) 38.573 4,855 215 106 38,058 38,058 38,058 38,058 1,468 14,767 15,174 1,633 14,767 15,174 1,633 14,767 588 85,483	
	24.85 24.87 25.08 25.02 24.93 24.93 196.5 194.8 197.5 197.0 7TATOES 85.0 105.0 125.0 125.0 115.0	+0.22 +0.19 -0.16 -0.13 -0.08 +1.07 +1.1 +0.7 +0.7 -0.1 -0.5 -0.5 -0.5 -0.5 -0.5 -0.5 -0.5 -0.5	CBT (60 24.86 25.08 24.96 25.08 24.96 25.10 24.96 25.10 24.96 25.10 24.96 25.10 24.96 25.10 25.1	0,000cc 24.26 1 14.00 to 190.00 190.0	41,231 2,005 15,719 4,100 1,433 667 67 23,147 67 63 24,147 4,424 4,389 2,470 812 23,336 2 per te	133,787 1,681 1,681 1,681 1,682 14,263 14,263 14,263 15,188 1,710 181,220 000) 182,968 1,710 181,220 191,120 191,120 191,120 193,004 191,120 1	James S Comp. 6 15 day 2 38 WHH Mary Ang Oct Dec Turni M. SUG Mary Jud Oct Mary Mary Jud Oct Mary Total Mar Mary Jud Oct Jud Oct Mar Mary Jud Oct Mar	298.5 301.0 303.2 300.0 303.2 300.0 303.2 300.0 303.2 300.0	-4.3 -4.5 -4.5 -4.5 -4.5 -4.5 -4.5 -4.5 -4.5	127. TFE (50 308.0 307.0 308.0 307.0 309.2 304.5 11.25 11.25 57.38 68.73 72.20 73.05 85.00 85.00 85.00	277.5 301.0 304.5 300.0 303.0 303.0 303.0 11.451 11.12 11.12 11.11 11.11 2 85.521 66.92 68.30 77.05	5,050 5,050 31 2244 95 31 5,971 2,326 1,408 317 1,55 1,606 3,660 3,600 3,600 3,600 3,600 3,600 3,600 3,600 3,600 3,600 3,600 3	129.71 128.33 171.907 4,855 21.5 10.61 10.	
tel SC Printing of SC Printing Police PC Printing PC	24.87 24.87 25.09 25.02 24.93 57.48 194.6 194.6 194.6 197.3 197.0 77.4 105.0 105.0 125.0 115.0 115.0 115.0 115.0 115.0 115.0 115.0 115.0 115.0 115.0 115.0	+1.3 +1.2 +0.19 -0.16 -0.13 -0.08 +1.00 +1.3 +1.3 +1.4 +1.1 +0.7 -0.1 -0.1 -0.1 -0.1 -0.1 -0.1 -0.1 -0.1	CBT (60 24.60 24.60 25.08 25.0	24.51 24.51 24.51 24.51 24.90 24.95 24.90 192.8 193.0	41,231 2,005 4,130 4,130 1,433 4,130 1,433 4,344 10,222 4,369 607 607 607 607 607 607 607 607 607 607	133,787 1,681 1,681 1,681 1,682 14,263 14,263 14,164 1,710 191,269 000) 9,304 4,311 14,568 17,936 4,311 14,569 1,146 649 1,146 649 151 151 171 181 181 181 181 181 181 181 181 18	James S Comp. 6 15 day 2 R WHH Res Res Lang Out Dec Tetmi R SUG Nary Jed Out Mar Many Many Many Many Many Many Many Many	298.5 301.0 201.5 300.0 303.2 204.8 "11". 11.11 11.11 11.11 TON NY 65.58 87.01 68.37 72.05 73.08	-4.3 -4.5 -4.9 -4.7 -1.7 -0.19	127. TFE (50 302.5 308.0 307.0 302.2 304.5 11.27 11.78 11.21 11.18 66.05 67.38 67.30 77.20 66.05 67.30 67.20 67.30	237.5 301.0 304.5 300.0 304.5 11.451 11.21 11.11 17.11 25.5 221.5 200.0 303.0	5, \$/1cc 5,053 95 31 2,244 239 95 3,020 3,020 317 1,500 1,408 3,660 2,700 97 9,096 2,302 97 9,096 2,302 97 2,002 97 97 97 97 97 97 97 97 97 97 97 97 97	129.71 128.33 171.907 4,855 21.5 10.61 10.	
	24.82 24.87 25.08 25.02 25.02 25.02 25.03 25.03 196.5 194.8 196.5 197.3 197.0 7TATOES 85.0 105.0 125.0 125.0 125.0 1179 1100 1179 1100 1179 1100 1120 1120 1120 1120 1120 1120 112	+1.01 +1.1 +1.1 +1.1 +1.1 +1.1 +1.1 +1.1	CBT (60 24.86 25.08 24.96 25.08 24.96 25.10 24.96 25.10 24.96 25.10 24.96 25.10 24.96 25.10 25.1	0,000cc 24.26 1 14.00 to 190.00 190.0	41,231 2,005 3,4100 1,433 667 1,433 667 24,740 610,222 24,740 812 23,335 2 per tr 20 20 20 21,222 23,335 2 per tr 23 23,335 2 per tr 23 23 24,235	133,787 1,681 1,681 1,681 1,682 14,263 14,263 14,263 15,188 1,710 181,220 000) 182,968 1,710 181,220 191,120 191,120 191,120 193,004 191,120 1	Jam S Comp. d 15 Gay H The stary Ang Oct Dec Tutni B. \$4,00 Nor Mar May Jed Oct Mar Total in COT Mor Total Jed Oct Mar	298.5 301.0 303.2 303.2 303.2 303.2 311.46 11.26 11.13 11.11 11.11 10.11	-4.3 -4.5 -1.7 -1.7 -2.5 -1.7 -2.19 -0.19 -0.16 -0.11 -0.35 -0.29 -0.29 -0.62 -0.29 -0.62 +7.60 +5.00	127. TFE (50 302.5 308.0 307.5 308.0 307.5 308.2 304.5 11.25 11.21 11.18 ,0008;24 56.05 68.73 70.93 77.93 77.93 77.93 77.93 77.93 77.93 90.25 68.73 85.00 90.90 90.25 90.90 90.25 90.25	297.5 301.0 304.5 300.0 304.5 11.451 11.12 11.11 12.5 cents 68.30 70.70 83.00 70.70 83.00 70.70 83.00	P. 5,050 31 3,020	129.7 (12	
	24.82 24.87 25.08 25.02 25.02 25.02 25.03 25.03 196.5 194.8 196.5 197.3 197.0 7TATOES 85.0 105.0 125.0 125.0 125.0 1179 1100 1179 1100 1179 1100 1120 1120 1120 1120 1120 1120 112	+1.01 +0.19 -0.16 -0.13 -0.08 +0.07 +1.0 +1.1 +1.1 +0.7 -0.1 +1.1 +0.7 -2.5 -2.5 -2.5 -2.5 -2.5 -2.5 -2.5 -2.5	CBT (60 24.86 25.08 24.96 25.08 24.96 25.10 24.96 25.10 24.96 25.10 24.96 25.10 24.96 25.10 25.1	0,000cc 24.26 1 14.00 to 190.00 190.0	41,231 2,005 3,4100 1,433 667 1,433 667 24,740 610,222 24,740 812 23,335 2 per tr 20 20 20 21,222 23,335 2 per tr 23 23,335 2 per tr 23 23 24,235	133,787 1,681 1,681 1,681 1,682 14,263 14,263 14,164 1,710 191,269 000) 9,304 4,311 14,568 17,936 4,311 14,569 1,146 649 1,146 649 151 161 171 171 171 171 171 171 171 171 17	Comp. 6 15 day H Res WHH Res WH	Werage	-4.3 -4.5 -4.5 -4.5 -4.5 -4.5 -4.5 -4.5 -4.19 -4	127. TFE (50 302.5 308.0 307.0 302.2 304.5 11.25 11.21 11.18 66.05 67.38 66.05 67.38 65.00 60.25 69.00 90.25 90.00 90.25 90.00 90.25 90.05 96.45	297.5 301.0 304.5 300.0 303.0 303.0 303.0 303.0 303.0 11.451 11.12 11.12 11.11 11.11 11.11 11.11 15.632 68.30 73.05 83.00 83.00 90.00 90.00 90.00 90.00 90.20	P. S/Icc 5, S/Icc 5, 2544 239 95 31 5,971 155 1,408 317, 155 1,606 3,060 3,060 3,060 3,060 3,060 1133 3,060 1133 3,063 1133 1,063 1,	129,7 (128,1 (12	
tel SC Marry Type PC Marry Typ	24.82 24.87 25.08 25.02 25.02 25.02 25.03 25.03 196.5 194.8 196.5 197.3 197.0 7TATOES 85.0 105.0 125.0 125.0 125.0 1179 1100 1179 1100 1179 1100 1120 1120 1120 1120 1120 1120 112	+ 0.4L +0.19 -0.16 -0.13 -0.08 +0.07 -0.08 +1.07 -0.1 -0.07 -0.1 -0.07 -0.1 -0.07 -0.1 -0.07 -0.1 -0.07 -0.1 -0.07 -0.1 -0.07 -0.1 -0.07 -0.08 -0.07 -0.08 -0.07 -0.08 -0.07 -0.08 -0.07 -0.08 -0.07 -0.08 -0.07 -0.08 -0.07 -0.08 -0.07 -0.08 -0.07 -0.08 -0.07 -0.08 -0.07 -0.08 -0.07 -0.08 -0.07 -0.08 -0.07 -0.08 -0.08 -0.09 -0.08 -0.09 -0.08 -0.09 -	CBT (00 24:60 24:66 25:08 24:66 25:08 24:66 25:10 24:96 24:9	24.26 24.51 24.61 24.95 24.95 24.95 (100 to 190.9 190.	41,231 2,005 3,4100 1,433 667 1,433 667 24,740 610,222 24,740 812 23,335 2 per tr 20 20 20 21,222 23,335 2 per tr 23 23,335 2 per tr 23 23 24,235	133,787 1,681 1,681 1,681 1,682 14,263 14,263 14,164 1,710 191,269 000) 9,304 4,311 14,568 17,936 4,311 14,569 1,146 649 1,146 649 151 161 171 171 171 171 171 171 171 171 17	Jam 5 Comp. 6 15 Gay H Ber Many Ang Oct Har Many Jed Oct Har Ney Jed Oct Har Total Get Dec Mar Total Get Jen May Jed Jed Oct Her Total Sep Jed	298.5 301.0 298.5 301.0 303.2 303.2 303.2 11.46 11.26 11.12 11.13 11.11 11.11 11.11 10.1 NY 65.58 67.01 68.03 72.05 73.05 73.05 90.25 90.25 90.45	-4.3 -4.5 -4.5 -4.5 -4.5 -4.5 -4.5 -4.5 -4.19 -4	127. TFE (50 302.5 308.0 307.0 302.2 304.5 11.25 11.21 11.18 66.05 67.38 66.05 67.38 65.00 60.25 69.00 90.25 90.00 90.25 90.00 90.25 90.05 96.45	297.5 301.0 304.5 300.0 303.0 303.0 303.0 303.0 303.0 11.451 11.12 11.12 11.11 11.11 11.11 11.11 15.632 68.30 73.05 83.00 83.00 90.00 90.00 90.00 90.00 90.20	P. S/Icc 5, S/Icc 5, 2544 239 95 31 5,971 155 1,408 317, 155 1,606 3,060 3,060 3,060 3,060 3,060 1133 3,060 1133 3,063 1133 1,063 1,	129,7 12	
tel School Schoo	24.87 24.87 25.08 25.02 24.93 25.02 24.93 25.02 24.93 25.02 24.93 25.02 24.93 25.02 25.03 25.0 25.0 25.0 25.0 25.0 25.0 25.0 25.0	+1.01 +0.19 -0.16 -0.16 -0.13 -0.08 +0.07 +1.0 +1.1 +1.1 +1.1 +0.7 -0.1 -2.5 -2.5 -2.5	24.86 25.08 24.86 25.08 24.96 24.96 119.0 119.0 119.0 119.0 1175 119.0 1175 119.0 1175 119.0 1175 119.0 1175 119.0 1175 119.0 1175 119.0 1175 119.0 1175 119.0 1175 119.0 1175 119.0 1175 119.0 1175 119.0 1175 119.0 11	24.26 24.51 24.51 24.51 24.51 24.55 24.50 180.0 190.0 190.0 190.0	41,231 2,005 15,719 1,133 1,433 667 23,147 1,433 24,147 1,433 24,147 1,439 2,470 2,470 2,470 2,470 2,70 2,70 2,70 2,70 2,70 2,70 2,70 2,	133,787 1,681 1,681 1,681 1,682 14,263 14,263 14,164 1,710 191,269 000) 9,304 4,311 14,568 17,936 4,311 14,569 1,146 649 1,146 649 151 161 171 171 171 171 171 171 171 171 17	Comp. 6 15 day H Res WHH Res WH	298.5 301.0 298.5 301.0 303.2 303.2 303.2 11.46 11.26 11.12 11.13 11.11 11.11 11.11 10.1 NY 65.58 67.01 68.03 72.05 73.05 73.05 90.25 90.25 90.45	-4.3 -4.5 -4.5 -4.5 -4.5 -4.5 -4.5 -4.5 -4.19 -4	127. TFE (50 302.5 308.0 307.0 302.2 304.5 11.25 11.21 11.18 66.05 67.38 66.05 67.38 65.00 60.25 69.00 90.25 90.00 90.25 90.00 90.25 90.05 96.45	297.5 301.0 304.5 300.0 303.0 303.0 303.0 303.0 303.0 11.451 11.12 11.12 11.11 11.11 11.11 11.11 15.632 68.30 73.05 83.00 83.00 90.00 90.00 90.00 90.00 90.20	P. S/Icc 5, S/Icc 5, 2544 239 95 31 5,971 155 1,408 317, 155 1,606 3,060 3,060 3,060 3,060 3,060 1133 3,060 1133 3,063 1133 1,063 1,	129,7 (128,1 (12	
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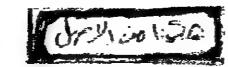


ACROSS Seeds open first to make a successful venture (6)
 Heard new attempt to cover and get tanned (8)
5 Vigorously encourage
ionable view, say (6) everything without taking sides (9) 10 Low mass on Sunday (5) 3 Hard work for Frenchman? To be filled in if one wants 11 Customers caught Neil returning box (9)
12 Dodgy seats smashed up it (11,4) alarming son (9) 4 Large area in Thrace aban-13 Brave explorer makes doned by English (7)
6 Officer type not yet ready
for active service? (15)
7 Still in semi-desert (5)
8 Nevertheless no good as a speech - no resistance (5) 14 About to go on holiday and separate (6) 15 Nothing inside, light on satire (7) 18 Hairdresser's pen catalogue 9 Can dispose of mostly sea sonal decoration (6) (7)
20 Bird family – small sibling in front (6)
22 Paintings put back in coach
23 Paintings put back in coach
26 Start to make speech about one with spirit (9)
27 Spies too confused by complete the confused by confused by confused by confused stores. 24 To sum up: electrically charged particle = accu-

chemically identical atoms 19 They drink in whatever can be turned to personal advantage (6) 20 Constable is unique (7) 21 Without success at home one is in the lead (2.4)... 23 Awake in a prison (5)

Rugby where dons collect unusual sum (6) 28 Blood reportedly gone off Solution to Saturday's prize puzzle on Saturday January 24. Solution to yesterday's prize puzzle on Monday January 26.

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AY JANUARY IS FINANCIAL TIMES TUESDAY JANUARY 13 1998 nge to am by fts oil FT MANAGED FUNDS SERVICE Offshore Funds FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4376 for more details. OFFSHORE

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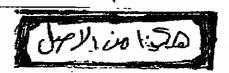
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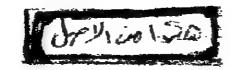
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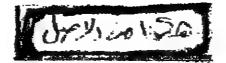
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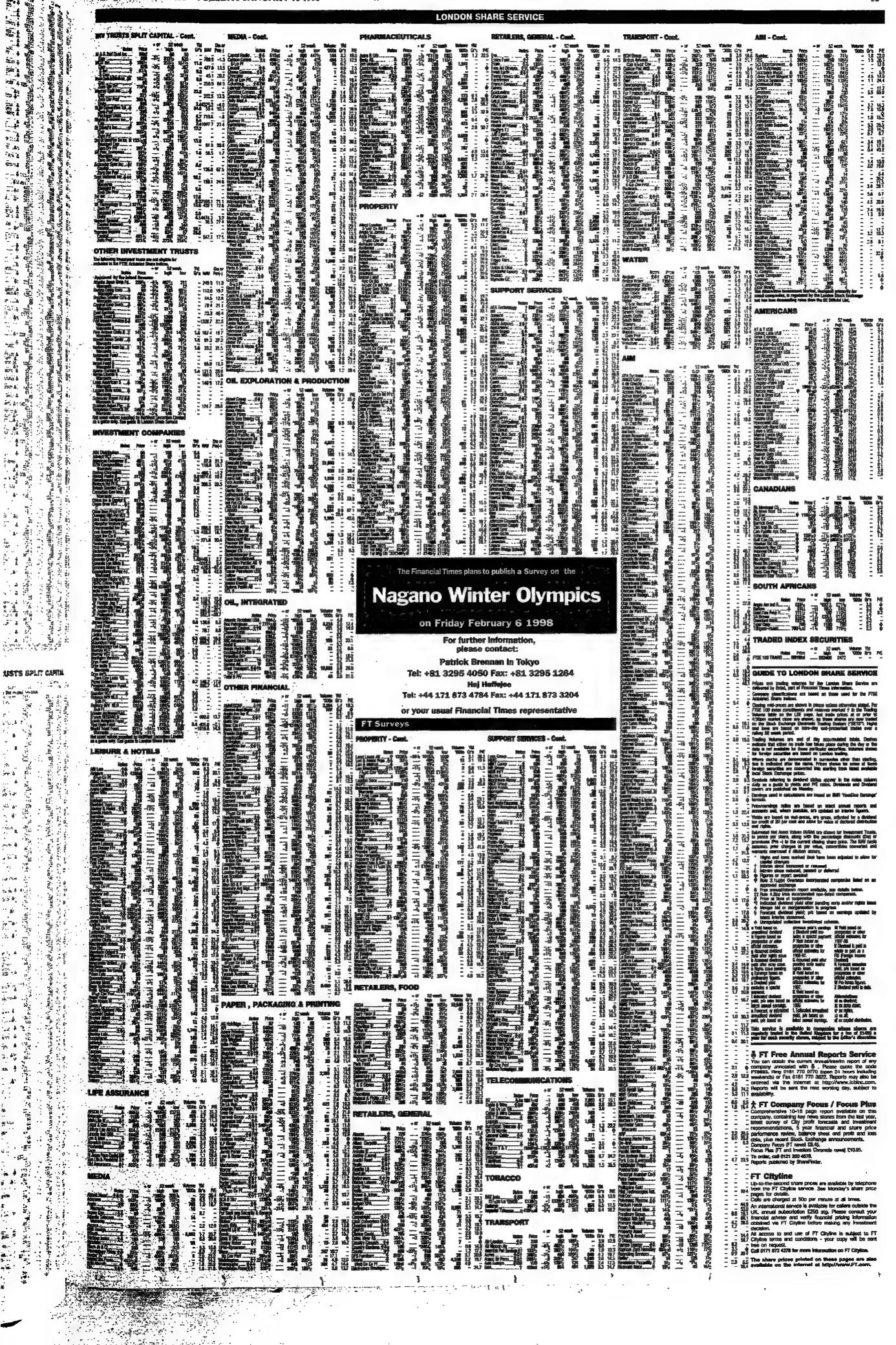
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LONDON STOCK EXCHANGE

Asia weakness sees Footsie under big pressure

MARKET REPORT

By Steve Thompson,

All the gains garnered by the UK equity market since Christmas were virtually wiped out yesterday as London responded to events in New York last Friday

and Asia yesterday. But London did manage a recovery, which ran concurrently with the Dow's performance.

Wall Street kicked off under heavy pressure, and posted another three-figure fall shortly after trading commenced, before stabilising and embarking on a ous occasions to hit 4,988.3. strong rally. At its best, as Lon- before stabilising and finishing a

books after a traumatic session, the Dow Jones Industrial Average was up around 30 points.

The startling recovery by Wall Street was attributed to a growing feeling that the US might be poised to relax interest rate policy. "Futures activity in Chicago suggests the next move in short-term rates is down, which has to be seen as good news for Wall Street," said a senior salesman at one of the big London securities houses.

The FTSE 100 index dropped 150 points at worst, sliding back below the 5.000 mark on numer-

don dealers closed their trading net 69.5 down at 5,068.8. The second-line and smaller companies indices came off their worst levels, but not to the same extent as the leaders, suggesting that the sell-off in the stock market was more determined than many

> The FTSE 250 index ended 65.0 off at 4,799.6, having hit a low of 4.790.1 in mid-afternoon. The SmallCap index lost 19.0 at 2,329.3; at its worst the index fell 21 points to 2,327.2

> Dealers pointed the finger of blame for the big falls across global markets squarely at Asian markets, which suffered further alarming losses yesterday.

stockbroking firm. Tokyo lost 2.2 per cent, Thailand 4.5 per cent and Singapore 8.75 per cent. A 3.5 per cent rally in Seoul and a 2 per cent gain in Jakarta did little to calm inter-

plunged around 12 per cent

before settling almost 9 per cent

lower, still burdened by worries

about the problems encompass-

ing Peregrine, the Hong Kong

the region. Once again, the Hong Kongsensitive areas of the London market bore the brunt of the market's weakness for much of the trading session, although the

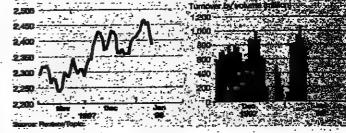
Kong where the Hang Seng index Hong Kong - Standard Chartered and HSBC - staged a remarkable fight-back late in the day.

The rallies in those stocks were

linked to Wall Street's recovery. London dealers told clients to sit back and wait for the latest Asian jitters to calm down. "As always, the best thing would be to buy the quality stocks on any blg falls," was the view put forward by one of the top traders at

a UK securities house. He insisted that London remained attractive to international investors because of its low inflation, good growth and high liquidity factors.

Turnover in the market was an



Source: Pleasant/Rapid:		1. 40, 13		
indices and rati	06			
FTSE 100 FTSE 250 FTSE 350 FTSE All-Share FTSE All-Share yield	5068.8 4799.8 2444.7 2389.32 3.25	-69.5 -65.0 -33.5 31.83 3.20	FT 30 FTSE Non-Fins p/e FTSE 100 Fut Mar 10 yr Gilt yleid Long gilt/equity yld no	3283.9 -37. 20.04 20.3 5082.0 -81. 6.04 6.0 80 1.87 1.9
Best performing	sectors:		Worst performing	sectors .

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An age of the control
Standard forecasts chopped

By Peter John, Joel Kibazo, Martin Brico and

An 8.6 per cent slide in the Hang Seng index was likely to make any stock associated with Asia look vulnerable. Add a clutch of broker downgrades and big falls for Standard Chartered were a certainty.

The shares were down rallied throughout the aftermore than 10 per cent in noon. They were 7 off just early trading with brokers before the close and blipped including Lehman Brothers up in the final seconds to and Goldman Sachs assessing the impact of the "Asian contagion" on the bank, which generates two-thirds of its profits in the region.

Lehman cut its 1997 profit forecast to £775m from £925m and its 1998 estimate to £725m from £1.08bn. The downgrades reflected expectation that Standard will have to make provisions of around 2 per cent on its joan portfolio. But Lehman said recent sell-offs in the shares sion and helped make the

The broker is at the bottom of a falling range of fore- on the day. casts. Elsewhere, Goldman crisis in Asia". The US broker cut its earnings per share estimate for 1997 by 7 number by a swingeing 11 per cent to 55.9p.

Robert Fleming Securities 183%p. Volume was 10m. cut to £870m and £860m for 1997 and 1998 and Panmure Gordon moved to £881m and £896m for the two years.

Nevertheless, a healthy two-way business developed later with even some bearish analysts arguing the selling was overdone. Richard Colman at Merrill Lynch said that while there were obvious concerns, Standard which has millions of cus-

tomers throughout the world - was now valued by the market at less than the Woolwich - "a south of England building society with only 2m customers".

Consequently, the shares

close a net 2 higher at 549p. Brokers were also cutting forecasts for HSBC, which is less exposed to the region in earnings terms but a heavily-weighted constituent of the Hang Seng. The shares closed 9 lower at £13.68.

Asda holds up

Asda was the only Footsie stock to show a gain throughout the entire seswere over-reacting the crisis. retail sector one of only three to record an advance

Recent presentations to a "sharply" reduced its num- series of City institutions bers to reflect "the ongoing have helped the stock move and apparently deepening ahead in recent sessions and yesterday a strong trading son Supermarkets also per cent to 55.8p and its 1998 helped sentiment and demand for Asda, and the shares closed 1% ahead at

Morrison said like-for-like sales had risen 3.9 per cent in the 22 weeks to January 1998 and like-for-like sales for the year to date had climbed 2.5 per cent. The group also said takings in the five weeks to January J were 10.5 per cent higher than the same period a year

shares rose 11/2 to 2311/2p. In the rest of the sector, J Sainsbury advanced 10 to 490p, while T&S Stores firmed 41/2 to 2011/4p. However, Tesco followed the market and fell 41/4 to 4941/sp while two-way business in Safeway brought turnover of 7.1m with the shares easing

ago. The figures were above

market expectations and the

Fashion retailer Next regained some of the ground lost earlier, boosted by an upbeat trading statement. Next said retail sales for

the 23 weeks to Japuary 10 were up 23 per cent on last year while Next Directory sales were up 35 per cent. The figures were a relief to a sector that has been bracing itself for poor results following fears of a poor Christmas trading season. The shares

The worst falls were in Hong two banks closely linked with

closed down 71/2 at 727p. Electrical goods retailer Dixons, which reports interim figures tomorrow, brushed aside fears that the company is to report poor Christmas sales. The shares rose 6 to 586p.

Two groups which publish trading statements today moved lower. Boots gave up 5 to 905p while Kingfisher fell 10 to 885p. It was also a poor day for Mulberry. which published interim figures that revealed increased losses. The shares eased 51/2 to 64½p.

BP shrugged off further weakness in the oil price

	Jan 12	Jan 9	Jen 8	Jan 7	Jan 6	Yr ego	'High	"Low
FT 30						2761.9		
Ord. div. yield						4.16		
P/E ratio net						17.13		
P/E ratio rili	20.91	27.15	21,53	21,42	21.63	16.97	22,02	15.71
FT 30 wice compli	pilott Ngh	3430.3 16	7047; to	494 264	16/40. Shi	n Date 1/3	7/36	
_								

FT 30 hourly	ohenger	•							
Open 9	10	11	12	13	14	15	18	High	Low
3320,8 3259.1	3255.6	3246.3	3243.A	3262.A	3245.7	3272.4	3267.	3320.8	3239.1
		Jan 1	2 Je	n 9	Jan 8	Jan	7	Jan 6	Yr ago
SEAQ bargaine		69,38	5 64	,157	64,719			62,267	49,069
Equity turnove	(Em)†		-	NA	2090.5			1712.8	1281.4
Faulty barosins	rt .		_	NA	49.582		NA	49.764	27,012

II Landin o	witer d	lata			
Rises and talle' Total Rises Total Fells Same Jan 12 'Data bar	314 1,522 1,196	Total Highs Total Lows	132 184	LIPPE tiquity opt Total contracts Calls Puts Indon Share Service	27,395 11,102 16,293

after support from Lehman ment of better-than-expected Brothers and Goldman interim results which were Sachs. The shares shed 5% to said to have prompted

7721 -p. Lehman Brothers published an "overweight" recommendation on the UK Servisair, the cargo and majors and added BP to its list of recommended European stocks. The investment bank said recent falls in the oil sector had made the

shares more attractive. Goldman Sachs' list of 32 European shares it favours for 1998. It expects the stocks selected to show an average price rise of 18 per cent.

The other UK choices were Bass, Diageo, Glaxo Wellcome, National Westminster, Royal & Sun Alliance, Sema. the software group, Tesco and Unilever.

Among food producers, Tate & Lyle was the best performer in the FTSE 250 with ABN Amro Hoare Govett reported to have upgraded profit forecasts.

BSkyB dipped 12% to 432; after "sell" notes from BZW and Credit Lyonnais Laing. Also, one of BSkyB's set-top box producers, Pace Micro, said it would not be able to start producing decoders for the broadcaster's UK digital satellite launch before the end of May. Pace Micro suffered one of

the worst performances outside the FTSE 350 as it surrendered 8 to 37%p following its profits warning. It also announced it had fallen into loss in the first half, and talked of declining margins and a further loss in the secand half. One of the busiest stocks

which gained 4% to 399p in 17m traded. The company yesterday bought back 6.5m shares at 390p each. Disappointment over share

buy-back plans was said to be behind the Tomkins decline of 10 to 300p. The fall came despite an announce

FTSE Actuaries Share Indices

FUTURES AND OPTIONS

ground handling group, decline 65 to 200p. Aim-traded jewellery group Theo Fennell lost 7 to 25/2p after a profits warning.

B Elliott, the small engi-Also, BP features as one of neering company, schieved nine UK stocks included in one of the best performances in the market as the shares rose more than 27 per cent, or 20, to 93%p after it said it was in takeover talks.

Triad, the computer software and systems consultancy, gained 37 to 379%p after strong results and a bullish trading statement.

FTSE 100 INDEX FUTURES (LIFTS) 525 per full index point. Open Satt price Change High Low, upgrades for the full year 5030.0 5064.0 5116.0 -99.0 -105.0 from about £480m to £490m.

FTSE Alf-Share Index

A profits warning also saw SE FTSE 250 SHOEX FUTURES (LIFFE) \$10 per full index point # FIRE 100 (NOEK OPTION (LIFFE) (15045) \$10 per full index point.

5092.0

ME BURG STYLE FTRE 100 INDEX OFTION (LIFFE) 210 par full index point.

TRADING VOLUME

2,800 10,500 2,800 10,500 2,800 3,504 1,200 2,800 1,800 4,200 2,000 1,800 8,200 1,800 8,200 1,800 8,200 1,80

lague		Mit,				Close				
price		CHIP	1997			price-				ing P/E
P.	坤	(CIRL)	High	Low	Stock	P	+/-	div.	COV.)	id net
-	F.P.	-	96	2312	Abbey Nat Dublin 1	9312		-		-
§140	F.P.	34.0	201/2	14812	TSOO Techs	19012	-6	-	-	-
100	F.P.				Bond Intl Sthe	8212		195-	-	- 92
	FP.	13.0	21/2	16l ₃	Bousteed	1912		-	_	-
625	FP.				†General Inde	3512		-	-	-
	F.P.				1Lougneed	1445		15.01	2.9	4.3 B
	F.P.				Marchools	10712		R3.65	2.1	4.2 14.
	F.P.				†Optoplast	14412		H3.07	3.4	2.7 11.
6102	F.P.				TRazzaback Vinda	10212	•	-	-	-
\$105	F.P.	36.7	11532	11012	SCS Liphoistery	17512	ęł ₂	127	20	29 21.
-	F.P.				Second Stock Nati	1084	4	-	-	- 12.
- , ₫	F.P.					101	44	-	-	-
	F.P.	3.31	113b	10312	Wyncham Hir	10312	. `	کان	7.8	54 2

FTSE GOLD MINES INDEX

7.00 2.84 1.44 1128.12 1994.18 \$20.47 1609.54 15.39 2124.22 33.26 1780.66

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	Jan 12	Day's chge%	Jan 9	Jan 6	alio Aem.	House yield%	Net yiek!%	DOVER!	.mtio	Xd adj. ytd	Tota Retu
PTIME 100	5068.6		\$135.3	8237.1	4107,3	3.20	2.65	2.07	18.89	1.37	2188.
FTSE 250	4799.6		4954.8	4890.0	4534.9	3.49	2.88	1,84	19.47	1.71	2033
FTSE 290 ex IT	4846.4		4907.5	4920.1	4587.A	3.50	2.97	1.69	18.46		2050
FT8E 350	244.7	-14	247B.2	2518.3	2043.7	3.26	2.89	2.02	18.99		2157
FISE 350 es II	2449,0 242.0	-1.3	2482.0	2522.5	4000 4	3.28	271	2.03	16.79		1108.
FTSE 350 Higher Yeld FTSE 350 Lower Yeld	2451.8	-1.1 -1.6	2482.1	2515.3 2536.2	1966.1 2128.1	4.18	3.49	1,89	15.80 23.83		1842
FTSE SmiftCap	2329.73	-0.8	2348.18	2345.17	2247.A1	100	2.40	1.57	25.71	0.98	1783
FTSE SmallCap on IT	2340.98	-0.5	2353,36	MAS AS	2281,47	3.27	2.83	1.64	23.35		2033
FIRE AN-S	2380.52		3421.15		2018.14	3.26	2.88	1,99	19,33		2140
FTSE All-Stare ex II	2365.71	-1.3	2425.94	2453.BB	-	1.27	2.71	2.01	18.00		1103
B FTSE Actuaries In		Sect		4.000						4101	1144
	Jan 12	Day's charts	Jan 9	Jan 8	niio Amin	Gross ylaid%	Net yieks%	itel COVER	P/E ratio	Xd edi.	Total Partur
10 RESOURCES(25)	4235.14	-1.6	4304.22	4373.68	4038.86	3.69	3.02	1,81	18.74	0.00	1917.
12 Extractive industrients	2817,38	-23	2554.54	2032.38	3905.30	5.02	4.42	188	13.27	0.00	868.
15 Cit, Integrated(4)	4657.79	-1.5	4737.85	4815.54	4177.36	3.73	3.01	1.77	18.94	0.00	2174.
16 Of Exploration & Prod(13)	3381.78	-1.9	3425.01	3470.89	3465.92	1.87	1.38	2.32	32.14	0.00	2088.
20 GEN RODUSTRIALS(220)	1966.80	-1.7	2000135	2018.73	2002.64	2.89	132	2.01	15.98	0.22	1139.
21 Construction(36)	1291,05	-1,3	1307,83	1308.78	1228.80	3.58	2.88	2.24	15.57	0.44	1138
22 Building Male & Marchig 77	1712.37	-14	1738.03	1753.09	1797.A7	4.45	3,68	1.93	14,54	0.46	917.
23 Chemicals(27)	2491,55	-25	2556.50	2594.45	2307.71	4.19	3.62	1.65	18.14	0.08	1257.
24 Owersified Industrials(11)	1247.12	-30	1285.09	13001.74	1459.42	4.51	4.19	2.28	12.14	0,00	754.4
25 Bectronic & Blact Equip(27)	2201.49	-0.7	203.0	2198.29	2360.27	4.04	3.27	1,54	18.58	0.00	1201.
26 Engineering(63)	2709.55	-23	2773.53	2809.53	2503.38	3.54	3.12	2,85	13.32	0.28	1725.
27 Engineering, Vehicles(11)	3470.34	-0.5	3488.53	35.72.88	3012.20	281	237	0.D1	80.00T	0.00	1893.
28 Paper, Polig & Printing(23)	2108.78	Q.B	2125.38	2137.69	25837	4,82	3.96	1.96	13.26	D.48	937.0
30 CONSUMER GOODS(N)	4989.92	-1.6	5071.17	5149.32	3888.80	3.03	2.83	1.82	22,72	0.18	1948.
32 Alcoholic Beverages(6)	3313.70	-0.3	3323.67	3337.74	2610.98	3.50	3.47	2.21	76.12	0.31	1276
32 Food Producers(24)	3323.80	-1.0	3358.57	3406.79	2000.50	124	2.69	1.23	19.98	0.08	1591.
34 Household Goods & Territori	3041.98 2235.74	-1.0	3072.22	3112.84	2022.71	4.13	3.53	1.82	15.77	0.73	1265.
36 Health Care(14) 37 Prantiscultosis(19)	2235./4 8343.53	-00	8530.59	8701.60	2230.55	2.20	1,91	1.80	30.33	0.46	1415.
	4782.35	-1.B	4868.81	4929.13	5574,46 3084 24		1.87	1.70	33.00	0.03	2955.
38 Tobecco(3)					3984.74	5.83	5.23	1,50	13,21	0.00	1306.
A STATE OF	2957,15	-0.7	2987.34	2916.28	2612.21	2.93	237	1.92	22.18	2.16	1563.0
41 Distributors(28) 42 Leisure & Hotele(27)	2494.33 3426.25	-2.1 -0.8	2548,42 3455,29	2569.18 3489.80	2948.50 3297.23	3.74 2.80	3.05	204	18.39	0.00	967.2
42 Desure & Housey27	4093.13	-1.5	4156.08	4205.69	4206.71	2.60	2.24 2.06	2.16	20.68 25.21	16.84 0.00	1922.
44 Retailers, Food(14)	2730.37	+0.4	2719.33	2784.47	2185.18	211	2.49	2.30	17.48	0.00	1835.
45 Retailers, General501	2316.37	-0.8	2333.45	2344.67	2014.64	3.13	251	2.19	18.20	2.82	1398.
46 Teleconomunications(10)	2738.24	-0.3	2744.84	2763.61	2123.22	3.22	2.50	1.48	- 26.22	0.00	1328.
AT Browner, Plan & Plant Ch	3574.03	-0.4	3588.81	3801.93	3235.34	3.32	2.86	2.30	16.35	6 94	1809.
48 Support Services(61)	3596.45	-0.4	3612.25	3606.20	2822.61	1.80	1.31	231	33.78	0.00	2356.6
49 Transport(25)	2905.53	-1.2	2939.54	2975.74	2719.48	3.52	2.87	1.29	27.56	1,55	1291.6
en augrassissi	3845.99	-0.1	3647,88	3653.29	2983.31	4.31	3,45	1.71	18.92	2.38	1717.6
62 Electricity(9)	4053.33	-0.1	4058.80	4069.85	2320.48	4,71	3.77	2.12	12,55	0.00	2334
64 Gas (Ustribution(2)	2556.99	-0.8	2678.56	2673.85	1474 51	2.45	1.96	*	*	0.00	1521,8
86 Water12)	3549.38	+0.7	3325.76	3332.16	2397.29	6.10	4.08	221	11.08	7.95	2032,9
9) NON-FRANCIALS(NE) 70 FINANCIALS(NE)	2409.95 4718.06	-1.2 -1.7	2438.02 4799.21	2485.58 4928.55	2080,41	3.32	2.75	1.58	20,04	0.88	1939,6
71 Barles, Relatifi2	47 18JUS 6809 98	-1.7 -2.1	4/99.21 6959.50	7194,58	3629.48 5241.79	3.13	2.53 2.46	2.43 2.53	16.43	0.06	2151,6
73 Insurance(17)	2182.37	-13	2191.88	2259.25	1844.37	4.09	3.37	2.53 2.78	18,04	0.00 0.20	2350.8
74 Life Assurance(5)	6178.80	-0.5	6210.70	E292.10	4258.51	2.98	2.43	2.76	18.60	0.00	1756.4 2720.2
77 Cather Financial(28)	3729 06	-1.7	3792,23	3545.72	2942.33	2.78	2.27	2.24	20.02	0.25	2245.5
79 Property(46)	2178.88	-0.5	2100.PG	2189.90	1849.42	295	2.43	1.44	28.36	0.00	1415.8
80 INVESTMENT TRUSTS(19)	3343.20	-23	3420.55	3449.52	3182.72	2.31	1.85	1,17	46.32	2.93	1208.6
Bi FTSE All-Share(673)	2389.32	-1,3	2421.15	2457.54	2018.14	3.25	2.68	1.99	19.33	0.70	2140.0
105 FTSE All-Share ex IT(754)	2395.71	-1.3	2426.94	2463.00	~	3.27	271	2.01	19.00	0.57	1103.8
Information Technology	1033,72	-09	1843.04	1035.26		0.74	0.50	2.62	64,33	0.00	
FTSE Redging	1288.25	-0.5	1273.92	1273.95	1257.18	3.52	2.83	1.43	24.86	0.00	1033.7
FISE Fledging ex 17	1294.32	-0.3	1301.71	1299.13	1279.33	3.90	3.14	1.47	21.79	0.81	1427 A
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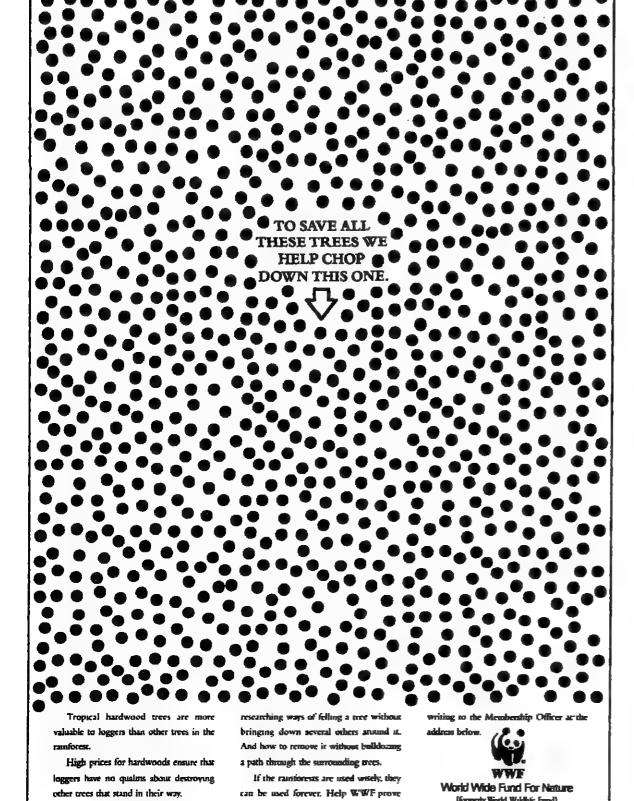
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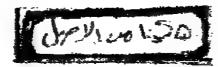
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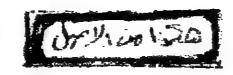
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- Hama Rooks 195.27 105.27 10	(5/1/98)	(1149) (669) (673 1019 10636 545 (1449) (573) (1708	_		F: 163. 28.993 U N	alls Inchanged Jew Highs	2,513 1,697 3871 474 95 117 169 93	1.70k 456 94 7,5	900	~	R TOKYO T	cies		BE DIGCEST #			M ACTIVE	STOCKS		m Bigges		558,454,810
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OL MA. Day's High 7875 DB (7935.40) Day's high 7800 13 (7902.00) Low 75	27-36 (7796.15)	(25499) (301299) 1977) 733.12) (Theodologia) Accusia)	M ACTINE	STOCKS		W DISBEST 1			700		Streetmen hit 5 Saloura Da. 5 Mile. Cosp. 4	5,675,000 150 5,679,000 331 5,699,000 97	7 +7 1 -21 -1	Fair Elic Mehmo Sanyo Inda	250 +3 130 +15 315 +33	-13.D	ilstear Ass. Gn. Franc Total: B	1,452,739 te 1,321,480 1,222,772	754 -105 3177 -03 577 -16	Materies Litt Deploye	258 745 375	+33.7 +15.2 +70 +10.4 +34 +10
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S & P ind. Div. yield 1. S & P ind. P/E ratio 25	n 7 D==3 49 7.49 98 26.04	1.55 1.85	Three Com- inferescrit Total Commit Worldcom	12,477,206 36 10,828,000 12 10,857,800 28 18,780,400 26	7 -376	Gamelech Sharopheco Adaptec Malacular	5 -45 -5h 214 -14k 10 -8	-40.4 -47.3 -40 -37.5		7 8 9 12 1 998	BICF (i	693,961 76.98 653,982 61.25 633,987 11.7 65 643,101 130.70	-2.35	rieding Mr Pi Tartet Commonstant Departmen ill.	95 -7 41 -25 653 -45 769 -51	-6.4	Aces Beston Gap Scot Chartel Mark And	10,520,350 9,712,992 8,715,168	183°- +1°- 1385°3°- 549 +2 271 +1	Salt (A.H.) Sanvisair Feanel (T.) Pace Micro	3 200 25 % 37 m	-1 125 -25 -245 -7 -215 -8 -17.5
INDEX FUTURES																						
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Mer \$30.00	938.60	-31.50 234.10	915.00 935.50	1,317	375.249 10,068	Jan Feb	2830.0 2842.0	2968.0 2876.0	-55.0 -55.0	2088 0 2088 0	2816.0 2838.0	22,634 5	2,490	Jan Feb	2300.00 2305.00				2310.00 2316.00	2256.00 2269.00	10,932 1,785	23,522 1,281
Mar 14660.0	at price (4730.0 4810.0	hange High -350.0 14930.0 -190.0 14882.0	14820.0 14810.0	17,880 2	188,103	Mor Jun	409 0. 0 4158.0	4158.0 4185.0	-111.5 -119.0	4162.0 4185.0	4076 5 4122.0	38,631 355	65,466	iii soffick Jan Mar	6100.00 6102.00			-185,1 -398,2	6105,0 6102,0	6015.0 6050.1	9,264 23	18,093 421
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All Milning 55	15 STEA or stipchia of colony	590:1 987:10 24/2/97 Initial with beary Asses expenses	5ri.10 2	min L		Coner classed state	acil 500 oply lawer on the lan	648.50 64 pt of waterstoop	ASSOR ECONOMIC IN	BCL28 5/5/57 Ses. Foreign famili sa	616.29 1212 anding ballo squi	57 m 6g.	<u>s</u>	P. Corne Dancold of	2 26 rly 100015 (7 200	SCHOOL NESS	9228 17 port macking	9274.33 BB HW2 Street	94.05 57.96	3182.34 3/	1/97	
Topded balls: 1246. Sample number in step with other European	16 1299.21 T	499.1) - 474.42 27:097 131550 1480.48 31/797 said the Assistan market was a	374.40 8 1130.22 9 Negative for Austra	11/97	14.6 Jos Bu	uched the region	district is not			749.63 87/67 cause of possible ga 4303.64 7/1/98	209.63 15/12/ Minuted Support 2725.02 2:1/97		29.7	emb (il hims led 15 per	_	34 65 319 55	e, brakes rep	iorad tool back	71.86 6/10/97 ing wait meneral 73.83 17/2/97	212.38 6 ²		
States clayed back loans in the last half Break Bornoti Bornoti 1888 has been been ball Break Bornoti 1888	hour of tracing as	244.75 2821.90 287777 US shape called 9858.0 13977.00 87770	1871.05 2			red M	Militara 105	gal.	(c) 283-49	cent an hars shoul 311.76 68/97 (De popular comm	214.15 2/1/97	-	- 4		cats Times ny stocks mene i IX			rong minest	71.88 20/1 <i>1</i> 67 rates. Alarter 24 08.84 21/1/69	1673.47 13 exhid 9 per cent 164.81 22	1	
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Composite 8163 Postulo56 3194	10 6272.40 75 3235.28	3673.63 #801.75 10/387 6490.70 7200.00 77/047 3327.36 3647.00 77/0497 with New Street, However, when	397238 14 29622 11	4497 17497	<u>5</u>	1910 1410s) is 1986 ii	east in the allumps Held 225 14	664 44 14 90 5	ty a recovery on	20001.30 16/6/97	19188.40 2/197 14868.40 12/19	6 B.55		siris adas habes math Korm - ka		6715 1♥ My depressed 456.20	Josephan	market steam	14.20 7/8/97 by more man 8 19.20 17/6/97	6715.10 12 per cent. 350.66 12		11.5
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Sharphon 8 40. Sharphon 8 77. Harden cour for father of Hong Kong Jones	8 34.63	46,76 96,21 7/5/67 86,89 184,20 6/5/67 by 661 shares Bushing S.1 per	40,80 12 77,98 12 part to a record	21/66	791		open SE	66	(c) (d)	iks is selen repust 19857 St/AB Separations ener its	= -	-	_ =		E All Share	li)		_	AJR SVINII	608.20 3/	1/87 m.	ne .
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Selling fierce but more selective

The fierce selling across

Asian stock markets continued yesterday but took on a more selective aspect, urites Jeffreu Brown.

Hong Kong and Singapore continued to slide rapidly south with the latter extend ing its losses to more than 30 per cent in just six days' trading. But there were rallies in South Korea and Indonesia, while trading in Hong Kong shares in London managed to end with an

With Wall Street recovering fairly rapidly from its

AMERICAS

US equities shrugged off a

weak opening to send the

main indices slightly higher

by midday, writes John

In the first minutes of

trading the Dow Jones

Industrial Average plunged

more than 120 points before

investors stepped in with

buy orders. But by early

afternoon the Dow was in

rebound mode, up 16.69 at

The broader Standard &

Poor's 500 index was also on

the mend, rising 4.32 at

932.01, while the technology-

weighted Nasdaq composite

index made gradual progress

with a rise of 1.37 at 1,504.59.

how to read the market's

midday recovery. "US and

world markets are waking

up to the fact that we can't

quantify what's going on in

Asia yet," said Michael Metz,

chief investment strategist

"The market breadth is

almost 2 to 1 on the down-

side," added Mr Metz, who

sees the morning turn-

around as a temporary

respite from the "buy on

Albany, found some room

for cautious optimism in the

last few weeks it seemed

that the market is prepared

CARACAS feil more than 10

per cent as worries about oil

prices cut a deep swathe

through investor sentiment. Venezuela's oil export

price dropped to \$13 a barrel

in early trading. This is \$2.50 below the reference level

used in the 1998 budget and

it sparked a wave of heavily

selling on the bourse. At midsession, the IBC index

27-month low, hit by the

Asian economic crisis and

an ailing bullion price. The

or 6.6 per cent to 5,596.6.

was off 784.47 at 7,070.10.

"From time to time in the

But Hugh Johnson, chief

at Oppenheimer.

dips" mentality.

market's recovery.

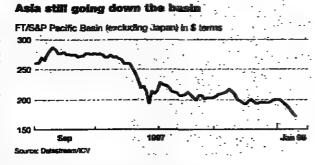
Analysts were divided on

Labate in New York.

Dow rallies

strongly after

early plunge



first eight minutes of trading lar, was a disincentive in - brokers were beginning to ninpoint signs of returning

most markets though. The D-Mark, up against the dol-

to nut Asia behind them.

and this may be one of those

times. The real test is still

ahead of us when we see the

actual impact on sales and

ings in line with expecta-

tions but its stock fell 3.5 per

cent to \$56% when it said

they expected the cost

savings from its acquisition

of Barnett Bank to be

as the banking index of the

Philadelphia Stock Exchange

lost 7.62 or 1.1 per cent at

cent at \$41% after announc-

Street, sliding steeply at the

outset only to rally steadily

as the morning progressed.

At noon the 300 composite

index was 96.58 or 1.5 per

been off 3 per cent soon after

The Bovespa index was 261

or 3 per cent lower at 866.52

at the end of the morning

company, De Beers, was

S Africa hits 27-month low

Johannesburg tumbled to a down 468.7 at 6,715.1, and

overall index tumbled 394.0 cent to R159 while its sister

Industrials lost 6.5 per cent, R5.70 lower at R91.80.

TORONTO tracked Wall

ing a \$720m acquisition.

Most banks edged lower,

In the banking sector

earnings," he added.

delayed.

than 2 per cent.

Europe and most bourses ended with declines of more

given the continuing stream of optimism about European equities one year bence. Gains this year of 16 per

cent for French and Italian equities are widely predicted by London-based brokers. The contrast with Asia

could not be more marked. In Hong Kong, the crisis at securities group Peregrine may be hogging the head-lines, but the real worries centre on the currency and earnings.

for inter-bank rates to 18 per as investors continued to cent over the past week indihang fire. One result of this cates all too graphically the

sure on the Hong Kong dol-

The feeling among brokers is that the authorities are hanging on in the hope that the Asian crisis can be fairly quickly defused. But it may be a near run thing. As for earnings, down-

grades are appearing thick and fast. Hong Kong profits rose 15 per cent in 1997. This year the consensus suggests a 10 per cent fall while many analysts are said to be privately nursing estimates of declines closer to 20 per.

Currencies, Page 27

was Ptal20 lower at

Ptall 580. Sentiment was

Barney's decision to down-

grade insurer Mapfre, down

Pta30 at Pta3,960, on earn-

HELSINKI was nervous

ahead of fourth-quarter

phone giant Motorola. Rival

Nokia, which accounts for a

third of the Finnish market,

was FM30.50 lower at FM365

on fears the results would be

bearish for the sector, driv-

ing the general index 127.79

In STOCKHOLM, Ericsson

was SKr114 lower at SKr276,

pushing the general index

eral negative sentiment.

MOSCOW lost 14.3 per cent

although trading was mini-

mal. BUDAPEST slipped 9

per cent and BUCHAREST

Written and edited by Michael

closed 5 per cent lower.

Morgan, Jeffrey Brown, than Ford and Peter Hall.

119.41 lower at 2.791.77.

lower at 3,220.43.

ings worries.

also hit by Salomon Smith

Resilient Wall St helps Frankfurt pare losses

A more resilient early performance than many investors had expected from Wall Street enabled FRANK-FURT to pare its losses but the market still closed 2.4 per cent down.

The Xetra Dax index picked up from a low of 4.053.89 to close 103.11 lower NationsBank reported earnat 4,184.64. Construction. banking and the large exporters were the hardest hit sectors.

Hochtief fell DM8.50 to DM65.50, BMW lost DM63 to DM1.254 and Siemens was DM4.70 lower at DM545.

Preussag held its loss to DM4 at DM545, still benefiting from the news that the state of Lower Saxony and 687.01. Federal Mogul's the Norddeutsche Landesshares surged \$114 or 4.55 per bank planned to buy the majority in the steel unit Preussag Stahl.
PARIS came close to

breaking down through 2,800 on the CAC 40 index as Asian worries bit deep into investor sentiment, but there was a clear raily early in the afternoon which the weak opening on Wall Street failed to dent.

Banks had a rough ride. Banks stayed firmly in the Bank of Nova Scotia fell grip of scare stories about C\$1.55 to C\$63.40 and Cana-Asian lending. BNP slid dian Imperial Bank of Com-FFr11 to FFr279 and Société merce C\$1.85 to C\$39.55. Générale fell FFr24 to Toronto-Dominion Bank fell FFr700, but volumes were C\$1.20 to C\$51.10 and Royal solid and brokers reported Bank of Canada 85 cents to patches of fairly active gained L63 to L1,990 after Elsewhere, BCE shed 55 day for the dollar plus scare cents to C\$45.95 and Alcan stories about Hong Kong retail trade hit LVMH which Aluminium 40 cents to C\$35.90. Golds were steady came off FFr36.00 at FFr910.

with Barrick hardening 15 Takeover talk continued to bubble up around Canal Plus, lifting the shares FFrt0 to FFr1,174. But the best per-Caracas plummets 10% foramnce of the day came from chipmaker SGS-Thompson which rallied strongly. SAO PAULO feli heavily at adding FFr12.10 at FFr333.2. The CAC 40 ended 57.27 the opening bell, but by midsession had pared its losses. lower at 2,862.54.

AMSTERDAM narrowed

by a technical fault, but the AEX index still closed down 21 85 41 891 95.

Hagemeyer finished down F12 at F179, under pressure from news that First Pacific of Hong Kong planned to sell its 40 per cent stake. Among internationals.

Fl 114 in spite of a buy recommendation with a FI 190 target price from ABN Amro Hoare Govett ZURICH went in the same direction as its neighbours

and the SMI index closed 189.7 lower at 6.062.1. Novartis tumbled SFr93 to SFr2,320 after its chief financial officer Raymund Breu denied persistent market

speculation that the com-ISTANBUL tumbled 10.8 pany was planning a share per cent and analysis noted repurchase programme. that an expected new year MILAN regained most of buying spree by foreign the ground lost during a investors had failed to matemorning session characterrialised. ATHENS was ised by profit-taking. The marked 5.1 per cent lower. Mibtel index ended just 47 **Eastern European markets**

lower at 17.633 Industrial holding company HDP was in favour. gaining L11 to L1.204 after confirming it is buying the Valentino fashion house for \$300m. Dealers said the price was attractive.

Olivetti rose L16 to L1,300 on news it was close to merging its computer systems unit with Wang of the US. Banca di Roma

MADRID proved resilient. trimming early losses to close just 0.9 per cent lower. The general index was down 5.69 at 645.14.

BBV lost Pta40 to Pta5,060 after it emerged as a likely suitor for Banco Popular, widely seen as a takeover target. Chairman Emilio Ybarra said at the weekend a bid for Popular "could be interesting". Part of the fall was also attributed to the shares going ex-dividend on

session. Telecommunications group Telebrás was off 1.3	FTSE Actuaries Share Indices : iropean series							
per cent at R\$111.01. MEXICO CITY was little changed at midsession. The	January 12 Rational & Regional	Etai Index	Day's	change points	Yald gras %	A 10	Total rein (Ecu)	
IPC index was down 22.21 at 4.569.95.	FTSE Eurotop 300 FTSE Eurotop 100	971,93 1136,40	-2.23 -2.22	-22.13 -80.88	2.29	90.0	979.74	
27-month low	FTSE Emotep 308 Re 300 LIK IMB Es-Ur 300 Eurobioc 300 Ex-Eurobioc	978.13 988.98 948.09 991.35	-1.83 -1.45 -2.32 -2.16	-18,22 -24,35 -22,55 -21,57	3.22 1.76 1.96 2.50	0.15 0.04 0.07 0.08	994.87 971.72 952.10 1001.97	
down 468.7 at 6,715.1, and golds were 28.9 or 4 per cent lower at 697.4. Anglo-Ameri- can tumbled R18 or 10.2 per cent to R159 while its sister	FISE Buretop 300 Ebs Resources Comment Industries Comment Scools Scoolings Unities Firstuciels	878.55 892.45 876.83 971.07 1050.61 1038.39	HE38 -2.97 -2.96 -1.54 -0.50 -2.34	-21.42 -27.33 -28.71 -15.15 -5.26 -24.85	2.17 2.16 1.86 2.30 2.54 2.21	0.00 0.04 0.00 0.46 0.00 0.07	891.27 861.03 807.07 979 43 1064.02 1044.38	
Cent to K159 while its sister	Stell value 1000: More Inform	ration on http://w	and the	FISE and Fig	ėlė au registo	rei kade mad	s of the Lambo	

Tokyo sinks to 30-month low

Shares in TOKYO fell to their lowest level in 30 months, hit by Friday's shakeout in New York and disappointment at the failure of Japan's prime minister to indicate further stimuhus measures in a speech to parliament, writes Michigo Nakamoto in Tokyo.

The Nikkei 225 average fell 330.66 or 2.2 per cent to 14,664.44 after trading between 14,909.29 and 14.628.67. Turnover was a modest 316m shares compared with 399m on Friday. The broad-based Topix index slipped 28.58 or 2.5 per cent to 1,120.61. Declining issues

led advancers 884 to 208. Investors were discouraged by Ryutaro Hashimoto's speech in which he failed to outline any specific additional measures to sup-

port economic recovery. The sharp fall in New York on Friday, coupled with the continued steep decline for stock markets across Asia, also depressed

High-tech stock were sold in the wake of jittery moves in New York. Sony lost Y400 Cola Amatil 50 cents to electronics sector shed 5.9 to Y11,700. NEC Y30 to A\$10.00. Among golds, Nor- per cent as Asian growth

investor sentiment.

Y1,430 and Fujitsu Y50 to many Mining gave up 12 Y1,380. Aiwa lost Y360 to cents or 8.2 per cent at

Steelmakers continued to lose ground as their prospects were seen to be gloomy against a background of falling domestic demand and the improving cost competi-

CHANGES ON T	HE DAY
	% change
Singapore	8.8
Hong Kong	8.7
Taipei	-4 .7
Bengkok	
Kuala Lumpur	
Wellington	
Sydney	
Tokyo	
Manila	+1.0
Jakarta	
Seoul	

tiveness of their rivals in Korea as a result of the sharp decline in the Korean

SYDNEY fell 2.3 per cent in moderate turnover with the All Ordinaries index closing off 60.7 at 2,542.4. Shares with above average Asian exposure were heavily sold. QBE Insurance fell 41 cents to A\$6.70 and Coca- at 7,375.14. The heavyweight

SHANGHAI fell to a record low for hard currency B shares. There was said to be heavy selling by Hong Kong funds and the B shares index fell 4.08 or 9 per cent to 40.90. SEOUL bucked the

regional trend, gaining 3.5 per cent on heavy buying fuelled by hopes that South Korea's financial crisis is beginning to ease. Total volume on the Seoul exchange was 113.06m shares, beating the previous record of 111.95m set on December 6.

The composite index rose 15.42 to 456.20 as brokers' comments that foreign institutions would roll over South Korean debt and a more stable won boosted sentiment.

Banks performed strongly on hopes of stakebuilding by foreign institutions. Seoul Bank gained Won80 to Won1,180 and Korea First Bank Won90 at Won1,270. TAIPEI fell steeply with the weighted index closing

362,06 or 4.7 per cent lower

tech shares on Wall Street sent investors scurrying for Taiwan Semiconductor

and United Microchip both ended limit down with declines of 7 per cent to T\$101.00 and T\$56.00. JAKARTA also gained

ground, with state-controlled companies rallying on hopes timent was also helped as President Suharto pledged his commitment to economic reform in telephone conversations with world leaders Among state-controlled

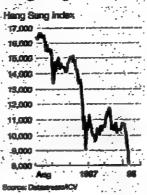
companies, Telkom gained Rp275 to Rp2,775 while Bank Dealers said there were signs that the government was intervening to support brokerage Bahana Securities was actively buying selected stocks, they said.

KARACHI lost almost 4.5 oer cent as analysts warned that foreign fund managers were likely to allocate far less money to the market in 1998 as a result of the Asian crisis. The Karachi 100 index

HK falls 8.7% on Peregrine. CTISIS

Rising local interest rates and the crisis facing Peregrine Investments sent Hong Kong into a tailspin and the Hang Seng index crashed 8.7 per cent.

The index plunged 773.58 to 8.121.06 after hitting a low of 7,909.13, the lowest level since March 1995. The Hang Seng has lost more than half its value since it eached its all-time high of 16.820.31 on August 7 1997. In subsequent London trading, an indicative index



rose 2.1 per cent to 8.294.36. China-linked stocks, regarded as having close ties with Peregrine, suffered tim heaviest blows.

The China-Affiliated Corporation index dived 21.9 er cent and H-shares ended off 16.2 per cent. Analysts noted that surg

ing local interbank rates cast a bearish shadow over the market. Additionally. leading Hong Kong banks raised their prime lending rates by 75 basis points to 10.25 per cent on Friday in response to the higher interbank rates. Brokers said there was speculation

were caught up in the gen-HSBC Holdings mong the biggest losers, HK\$9.50 HK\$158.50. Sun Hung Kai Properties ended down HK\$8.40 at HK\$33.10 while Cheung Kong lost HK\$4.20 to HK\$33.60. Red-chip China Resources sank HK\$2.35 to

EMERGING MARKET FOCUS

Indonesia link hurts Singapore

Singapore's stock market yet again yesterday as its status as a south-east Asian safe haven was questioned because of its business ties to neighbouring Indonesia. The Straits Times Industrials index plunged 8.8 per cent or 102.88 to end at 1,073.47. It has dropped more than 30 per cent since

the start of the year. Investors in the city state have spent the past six months watching share prices fall in neighbouring countries as economic frailties came into focus. They felt secure until fears mounted in recent days that the economic troubles in Indonesia could lead to social and political chaos.

"The Indonesian crisis hits a little bit closer to home than the problems in Korea or even Thailand, says David Cohen, senior economist at Standard & Poor's/MMS International in Singapore. The importance of Indo-

nesian stability to Singapore was illustrated last home. They have poured year, when Singapore offered Jakarta \$5bn in balance of payments support. and a possible further \$5bn to support the rupiah. "Nobody wants to see

social and political unrest in one of the world's most populated countries," said Daragh Maher, economist at ING Baring Securities (Singapore). Singapore is not only worried about the spillover of any rioting in Indonesia, but also fears the direct impact of any breakdown of Indonesia's economic system.

Singapore has ventured into Indonesia as part of its expansion in the region in search of a larger market than its 3m people can provide. With a population of nearly 200m. Indonesia is south-east Asia's biggest market.

Economists say it is unclear exactly how much money Singapore's banks have extended to Indonesian companies, but believe



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loans to worry that the continued depreciation in the runish could make it diffimilt to recoup those funds. At the same time, many

of the minority ethnic Chinese who control Indonesia's biggest companies have only south-east Asian country with an ethnic Chinese majority - as a place to protect their money from any racial backlash at savings into Singapore's banks, property, and com-

Economists fear these Indonesians might cease making mortgage payments and stop contributing to Singapore's retail, tourism and trade sectors.

Economists also believe Singapore may face similar difficulties with those from other regional countries affected by the downturn. The Singaporean economy grew at 7.6 per cent in 1997. But the government said it growth projection of the Asian crisis reduces regional trade, business for Singaporean banks and cuts into tourism.

ING's Maher, however helieves the fears that have overtaken investors are overstated. "The easiest thing to do is to believe the worst." he notes.

Sheila McNulty

DECEMBER 1997 THIS ANNOUNCEMENT APPEARS AS A MATTER OF RECORD ONLY

📤 MOM Bank

MOSCOW BUSINESS WORLD COMMERCIAL BANK

USD 25,000,000 **Term Loan Facility**

ARMANGERS London Forfaiting Asia Limited **Bayerische Landesbank Girozentrale** The Bank of New York

EUROPA BANK AG

HAMAGERS American Express Bank GmbH Bank für Arbeit und Wirtschaft Aktiengesellschaft **BYBLOS BANK** Central Wechsel-und Creditbank Aktiengesellschaft

DG BANK Deutsche Genossenschaftsbank Interbanka, a.s. Ost-West Handelsbank AG

VEREINS-UND WESTBANK AG

London Forfaiting Asia Limited

ORFAITING LONDON

GLOBAL BUSINESS OUTLOOK

affected by a regional financial crisis that may influence their strategies

ia in GLOBAL Dengapor Companies worldwide are being affected by a regional financial companies. Stefan Wagstyl report Asia shockwa still spreadir Asia shockwaves

a reminder that globalisation cent in 1998, compared with the Netherlands, and Seabrings risks as well as an earlier forecast of 21 per gate, the American maker of rewards, it has come in the shape of the economic crisis in east Asia. The region which has acted as an engine of global growth for decades has slowed suddealy, shaking almost everybody on board.

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ABB, the Swiss-Swedish engineering group, Oracle, the US software group, and Toyota Motor, the Japanese carmaker, were among the first multinational companies to indicate their earnings would be hit.

The impact in the crisis-hit countries is far more serious. especially in South Korea, where Hanbo Steel, with debts of \$6bn, beads the list of companies which have gone bankrupt. The Korean government is negotiating with governments and banks in industrialised countries over restructuring its

How deep the crisis will go and how long it will last depends principally on how quickly the governments and the people of the region. European steelmakers say succeed in rebuilding confi- south-east Asia, for so long a dence in their economies.

Percy Barnevik, the ABB chairman, said in a recent speech that the east Asian downturn would be shallower and shorter than Mexico's, which lasted two years. But Osamu Suzuki, president of Suzuki Motor, the Japanese cormaker, says: "The situation is bad. It will take five years before Asia recovers."

The International Monetary Fund warns that finencial turmoli in Asia could potential output in the developed world in 1998. It has reduced its growth forecast to 3.5 per cent, compared with 4.1 per cent in 1997. The oped world will be in Japan, cent. The US and the EU are forecast to weather the storm much better.

However, some economists optimistic. They point to the postponement of the £1bn microchip plant being built in Scotland by Hyundai, the Korean conglomerate, as an example of the far-reaching and unpredictable impact of the Asian turmoil. They also argue that the true extent of east Asia's financial crisis is tries in devaluing." still unclear - even in Japan. where the problems date back to the 1980s.

Neil Saker, regional econostockbroker specialising in east Asia, said in an end-ofyear report that the region was in a downward spiral which could wreak "profound economic damage The effects are being felt

outside the financial arena, particularly in price-sensitive commodity markets with short-term supply contracts. North American and net importer of steel to feed Its construction schemes, is cuiting orders. For the moment, the effects are being offset by continuing strong demand from China.

But steelmakers, like companies in many other sectors, are wondering how long China can protect itself from the chill winds blowing through the rest of the

The sharp devaluation of the Korean won and other currencies will reduce east knock nearly 1 per cant off Asia's capacity to import but greatly enhance its export competitiveness, to the potential anguish of manufacturers in Japan, North America and Europe.

trial, the Japanese consumer American groups which

computer parts, which have south-east Asian production bases will be able to protect themselves by increasing say the IMF is being unduly regional output. But smaller, more domestically-oriented manufacturers, seem likely to suffer from increased competition. As Francis Mer. chairman of Usinor Sacilor, the French steelmaker, says:

"The impact on trade could

be very serious, especially if

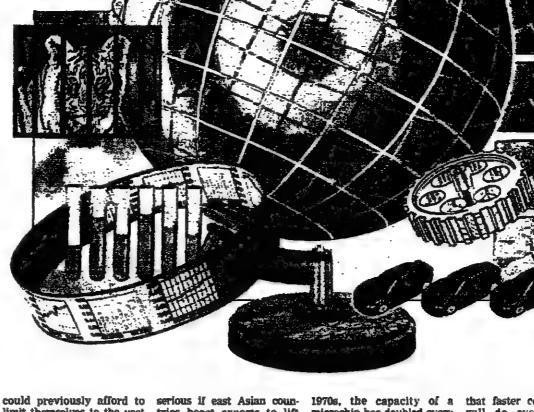
China followed other coun-

The satisfactory resolution of the Mexican economic crisis of the early 1990s shows the current economic turmist at SocGen-Crosby, a moil need not end in disaster. On the other hand, the long period of stagflation which followed the Latin American debt crisis of the 1980s demonstrates that not every attempt at concerted international action has a bappy ending.

Meanwhile, as companies struggle with the swings of long-term secular trends will continue to shape and change markets. The most significant are:

• International trade and investment. Despite the east Asian turmoil, cross-border trade and investment are expected to continue growing rapidly as companies seek both customers and supply sources in developing countries. Even if trade growth fails short of the Organisation for Economic Co-operation and Development's forecast of 8.2 per cent, it seems likely to grow faster than economic output, with emerging regions such as Latin America making an increased contribution.

Even smaller companies which were once content to plough their own domestic TULTOWS SEE STRITTING Matsushita Electric Indus- globally, notably North further trade liberalisation,



limit themselves to the vast US home market. For example, United Dominion Industries, a diversified engineering group with a turnover of about \$2bn, last year posted its first senior executive overseas - to the UK - to oversee corporate expansion. Bill Holland, chairman, says: We Americans are well known for being obsessed

with our home market. Howcreating big new commercial ever, there are now lots of opportunities. companies like us which are Technology. Since the not world scale but getting

 Liberalisation. The US Congress's rejection of President Bill Clinton's request for fast-track negotiating powers on trade agreements

tries boost exports to lift themselves out of the current crisis. However, the World Trade Organisation's agreement on the liberalisation of financial services indicates that the winds in favour of more international deregulation remain strong. Domestic deregulation such as in the US and EU energy markets - is also

microchip has doubled every 18 months and shows every sign of continuing to do so, notably with the spread of system-on-a-chip devices combining a microprocessor silicon wafer. The technological advance is generating quantum leaps in communications, the effects of which are are well summarised in a recent book by Frances Caircross called The Death of

that faster communications will do everything from tving different corners of the world closer together to fostering world peace. Companies are processing

information faster both inside their own organisations and with suppliers and customers and other outsiders. They are becoming better able to develop products faster and introduce them more quickly in different regions. Those that take

in this survey

- Air travel Aerospace & defence
- Motor industry
- Environment
- Pharmaceuticals Telecommunications
- Information technology IT companies Chemicals
- Food and drink
- Global manufacturing

Sports goods

emerge as winners; the rest become also-rans. For example, in motors, Honda Motor's ability to design its Odyssey sport utility car in less than two years and launch it in the US and Europe as well as in Japan turned a useful money-spinner into a world-beater. Next year is bound to see similar

Outsourcing, With the help of IT, companies are restructuring their organisations, dissecting even their core activities, to split the functions they do best themselves from those they do not. Especially in FT-related fields, consultants are being brought in to handle not just day-to-day data processing but to take over key functions such as the computer ised management of client accounts. British Steel has recently signed such a far-reaching outsourcing deal with Cap Gemini, the French-owned consultancy. Keith Burgess, global managing partner for outsourcing business at Andersen Consulting, the management consultant, says: "The corporate world is changing."

 Branding. The speed of communications is increas ing the value of the global brand, Coca-Cola, Nike, and Sony are better known in much of the developing world than the names of any statesman. Branding gives a

BANKING • by George Graham

Survival of the biggest

A wave of M&A has reshaped the industry, but stuck largely to national deals

How big is big? Bankers are finding that the bar has risen several notches after a wave of mergers and acquisitions that has completely reshaped the face of the international financial

Across a range of financial sectors, bankers have signed up to the dogma that the ble is being cleared for a handful of giants, with room still for niche players but changes came in the little, space for the investment banking arena, traders and investment

In the US, Hugh McColl, chairman of NationsBank, declared that banking had entered a four-year endgame after he bought Barnett Banks, of Florida, for \$15bn. His words gained strength when First Union, NationsBank's North Carolina neighbour, announced a \$16bn bid for CoreStates.

the In the Europe, long-expected shake-up of Belgium's banking sector came when ING launched an agreed offer for Banque Bruxelles Lambert, while

the merger of Swiss Bank Corporation and Union Bank of Switzerland.

In Asia, consolidation of a closing stages. different sort is taking place. country's biggest banks and

to bear on businesses in operations by SBC. "In

to re-emerge as a concern, and could even increase the - pressure for The Swiss banking merger

had dramatic consequences for the global private banking sector, creating a new giant managing \$580bn of private client assets, as well as for institutional fund management - another sector where the pace of consolidation has been quickening with deals such as Merrill Lynch's takeover of the UK's Mercury Asset

But the most dramatic

cost base but also have the revenue base to support this

Some banks have already they cannot realistically hope to be part of that select group, and have scaled back their investment banking ambitions accordingly. in National Westminster have sold most of their equity operations and now concentrate solely on debt more closely linked to their traditional

Spiralling pay packets for

Leading banks

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merged with Dean Witter difficult for the mid-sized Discover, Salomon Brothers contenders to stay in the was taken over by Travelers race. They have to pay Germany made a start at and merged with its Smith people just as much or more restructuring with the Barney affiliate, and a range but don't get as much merger of Bayerische of specialised or regional revenue out of them as a Vereinsbank and Bayerische investment banks - from - global firm.

sector saw Credit Snisse's commercial banking parents, them in a second tier fall rapidly with size, and takeover of the Winterthur. Many investment bankers business is hugely some focused categories of insurance group capped by now believe the battle for value-destroying," says bank show evidence of bulge bracket" of dominant executive of Barclays. firms is now reaching its

"In a lot of industries -The belated recognition of telecoms, pharmaceuticals, Edward Crutchfield, size. non-performing toans is for example - it is not chairman of First Union, sending the weaker unusual to see five global recently warned smaller with the increasing intensity histiantions to the wall Even giants survive. Five seems to traditional banks that they of IT use in banking. The in Japan, some of the be the magic number," says were "a declining, dying, cost of software development brokers have been allowed new Warburg Dillon Read With the Asian economic emerge from the absorption dominant financial 14 banks estimated to be Crisis bringing new pressure of UBS's investment banking services."

where Morgan Stanley bankers have made it

Alex Brown to Quick & ... "To take someone out of a Switzerland's financial Reilly - found new bulge bracket firm and put membership of a "global Martin Taylor, chief economies of scale. In

In the retail banking sector, some of the talk sounds familiar.

Hans de Gier, head of the going-away business. Merger mania will last until there investment bank which will are 16 or 12 or maybe 15 sheep from the goats, with But, with very few year on IT.

Europe and the US, credit investment banking, too, exceptions, consolidation in quality may be about you will see a handful of the retail banking sector global firms which have the remains obstinately national in character. ING's takeover of BBL represents one deal, and borders are also reached the conclusion that eroding in Scandinavia. But

which might become more

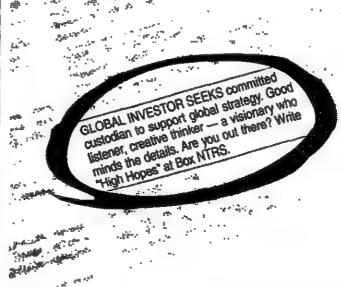
most British hanks have burnt their fingers badly both in continental Europe and the US, and some other efforts to cross national boundaries, such as Crédit Lyonnais's 1980s spree, have also not worked. in the US, there remains

plenty of room for the kind of consolidation Mr Crutchfield is talking about without stretching overseas. The number of commercial banks reporting to the Federal Deposit Insurance from 11,462 in 1992 to 9,215 this year, but that still leaves the US with far more financial institutions in though fewer branches, than comparable countries.

In countries such as the UK and France, there may still be room for some further consolidation, but banks in the Netherlands and Ireland already have to look abroad for a second home market

One obstacle to further consolidation is that retail banking has proved stubbornly resistant to economies of scale. In specific activities, such as credit card processing or securities custody, unit costs banking more generally, however, complexity has in the past tended to offset any benefits accruing from

is proving to be one of biggest factors in sorting the spending more than \$1bn a



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AIR TRAVEL • by Michael Skapinker

eyes on alliance verdict

BA's planned link with American is unlikely to be the industry's final partnership

Early this year, officials in Washington and Brussels will decide whether to allow British Airways and American Airlines to form an alliance. Their decision could determine the shape of the industry for decades to

If the alliance, which was first announced in June 1996. goes ahead. BA and American will be one of the most powerful airline combinations the industry has seen. It will dominate flights between the UK and the US, the two busiest international aviation

It will also lead to the conclusion of an "open the UK and the US - which Washington has made a pre-condition for its approval of the alliance. That would open London's Heathrow. international airport, to expensive, Aircraft can cost competition from all the hundreds of millions of

US airlines, American and United Airlines, are allowed to fly into the airport under the terms of the existing countries.

If, on the other hand, the department transportation and the European Commission veto the planned alliance, the airline industry's scramble to find new partners will not diminish. Indeed, it is likely to intensify.

Almost all airlines see it as important to have links cutting costs, often by with other carriers, contracting out subsidiary Although airline profits are reasonably healthy at present, the industry has historically found it difficult to increase passenger to make money on a volumes and ensure consistent basis.

Although airline fares have been relatively high in forming alliances. By recent months, their teaming up with other long-term trend Increased downward. liberalisation. greater competition and the growth of low-fare airlines have made it more difficult for carriers to raise their fares. At the same time, running

Leading airlines

	Country	Passengers carried (m)*
Delta Air Unes	us	97.281
United Airlines	US	81.863
American Atrilines	US .	79.324
US Airways	US	56.640
Northwest Airlines	US	52.682
All Nippon Arways	Japan	39.377
Continental	us	35 743
British Airways	0.00	33.169
Luttrensa	Germany	33.118
Japan Airlines	Japan	29.979
1996 international and domes	tics scheduled passangers	Source: IATA

dollars to buy and are expensive to maintain. Airlines have responded by activities such as in-flight catering.

They are also attempting maximum utilisation of their aircraft. This is why they are is airlines they can offer passengers journeys to destinations they do not serve themselves.

Take, for example, an alliance between a European carrier and a US airline. The European carrier is likely to world's busiest au airline remains offer flights to several important US cities but not to the smaller centres. After

forming its alliance, however, it can sell its Karel Van Miert, the EU

In many cases airlines even put their two-letter codes on their partners' flights as if they were operating the service themselves. This is known as "code-sharing". The biggest airline

customers onward journeys

to the smaller airports on its

partner's flights.

grouping formed so far, the Star Alliance, has six members: United Airlines (US), Lufthansa (Germany), Scandinavian Airlines System, Air Canada, Thai Airlines, and Varig (Brazil). In theory, the global nature of the alliance means that it should be able to offer

flights to almost any airport

in the world. Travel agents

report however, that while a powerful one, the Star Alliance as a whole has yet to show its power.

BA and American sav. however, that the Star Alliance is winning some corporate customers away from them. They argue that it is unfair that Star Alliance has been allowed to start operating while BA and American are still waiting for regulatory approval.

competition commissioner, says, however, that he cannot stop Lufthansa and United from operating as they have received anti-trust immunity from the US authorities, which allows them to co-ordinate flights and fares. He says that Brussels has yet to give its approval to Star Alliance, and he could still require the airlines to give up take-off and landing slots.

While the airlines regard the alliances as important, there is some doubt over how durable they will prove to be. Virgin Atlantic, of the UK, and Delta Air Lines, of the US, announced the end of their alliance last year. Virgin has teamed up and chief executive of United Airlines The constant challenge for airlines is to keep a tight

Jerry Greenwald, chairman

rein on costs and combine this with a relentless focus on customer service. For those that are winning this battle, 1998 promises to be a profitable year. Demand from passengers and cargo shippers is generally strong; key markets continue to grow; capacity growth is modest; and fuel prices are steady. Weakness is Asia is a problem, but . will be felt most in intra-Asian markets. Globally, competitive airline alliance networks will increasingly deliver real bunefits for travellers. However, the competition authorities will have a role to play in ensuring that all

instead with Continental

based on truly open

excessive murkets

concentration.

markets and without

Delta has an alliance with Swissair, Austrian Airlines and Sabena, of Belgium, but last year lost its Asian partner, Singapore Airlines. Singapore has concluded a partnership with Lufthansa instead, although the Asian carrier has not yet become a

Opec move say oil demand

in industrialising countries

often differs from that in the

developed world, where

there is a strong correlation

between economic growth

and petroleum consumption.

They claim that the eco-

nomic restructuring faced by

a number of Asian econo-

mies will tend to prop up oil

demand, even if overall

Another big factor is the

rate at which non-Opec pro-

ducers increase their output

in 1998. The IEA, which

monitors world oil markets

on behalf of the industria-

lised world, has stuck to its

Rosed on oil and oas reserves and produc

growth is subdued.

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full member of the Star Alli-

Cheong Choong Kong, Singapore's chief executive, it's natural that agreements says the link with Lufthansa was a long-term one. He said: "Don't make the mistake of thinking this is just another one of those alliances. This is special." However, Robert Coggin,

its full quota if prices fall

steeply. Saudi Arabia, the

world's biggest oil exporter,

has repeatedly rejected the

"swing producer" role, but

analysts point out it has rel-

atively little financial room

to manoeuvre should aver-

age prices fall by more than

\$1.65 below the 1997 average

expected to influence the oil

price in the coming year

include Iraq. Iraqi exports

under the United Nations

oil-for-food programme have

proved erratic, but many

industry observers expect

Other factors that are

of roughly \$19 a barrel.

Delta's executive vice-president, says: "As competitive and strategic needs change. among airline change as they pursue their separate

It is unlikely that 1998 will pass without a further reshuffling of airline part-

AEROSPACE AND DEFENCE • by Alexander Nicoli

Cuts provide opportunity for strength

Europe begins to realise that some American-style shake-outs are needed now

Because the number of leading aircraft and weapons to muscle our way through manufacturers in the world is steadily declining, it might be concluded that their prospects were bleak. But this is not so.

through an extraordinarily partly because of technical rapid shake-out which has problems. The combined seen some big names - most effect was a \$1.8bn charge recently McDonnell Douglas and soon Northrop Grumman - disappearing. Europe is beginning to realise that it must accelerate a rationalisation which has been happening far too slowly.

If big European mergers do occur, the prospects are that both the US and Europe will have created big players in both the perospace and defence businesses which should see healthy business. for some time to come.

Although the general move is to bring together civil and military contractors on the argument that this can bring synergies and savings, there is, in fact, a big difference in the climates of the two sectors.

Manufacture of passenger aircraft is booming as a result of strong growth in western and (until recently) Asian economies. Airlines bave been doing well and putting in big orders.

This means that Boeing and Airbus, which are by far the largest suppliers, are booming and have order books which, even if the Asian downturn brings some cancellations, will last them for years.

For Boeing, the surfeit of orders proved too much. Last year it stepped up production from 18 aircraft per month to 40, and this put an intolerable burden on its own processes as well as those of its suppliers. In October, it had to stop making the 747 model while supplies caught up.

Boeing believes that a 20day stoppage was not a seriwhich it describes as "the

steepest production increases since the dawn of the jet age". Ron Woodard, bead of its civil aircraft business, says the company came close to achieving its target of 48 aircraft a month without any problems. "We were very close to being able it," be says.

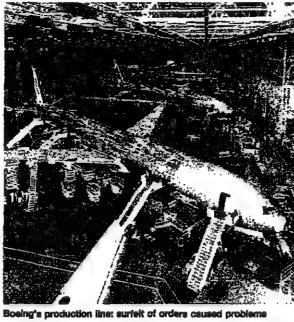
However, the production bottlenecks were expensive. Boeing also temporarily stopped making its new 700 The US industry has gone version of the smaller 737 jet against profits, pushing it into a net loss for the third quarter, with the possibility of further write-offs to come. Boeing has also been cop-

ing with the absorption of McDonnell Douglas, and announced in November that it would stop making the MD-80 and MD-90 aircraft, though it had high hopes for the larger MD-11 and is still considering the fate of the MD-95, the group's smallest model. It also has yet to take potentially painful decisions about workforce at Long Beach, California, where tens of thousands of ex-Douglas and supplier com-

pany jobs are at stake. McDonnell Douglas, how- by 18 per cent in real terms ever. Boeing's only real competition is from Airbus Industrie, the Toulousebased grouping which is owned 38 per cent each by Aerospatiale, of France, and Daimler-Benz Aerospace, of Germany, with 20 per cent held by British Aerospace and 4 per cent by Casa, of Spain.

Airbus, too, has a booming order book. But its performance is difficult to assess as it publishes no financial figures. This will change when it becomes a corporate entity, which is scheduled to occur by the beginning of 1999.

The reorganisation of Airbus could trigger rationalisation of Europe's defence companies following an initiative announced in December by the French, British and German governments. ous setback given the scale. They appear to favour using of what it was attempting. Airbus as the base for integrated civil and military



Leading aerospace and defence companies

	Country	1995 sales (USSoni
Boeing	US	36,515
Lockheed Martin	US	26 675
Raytheon	us	12.331
GEC	UK	10.732
APTOPPES	ÜB	10.668
Lagardere	nunce	9.426
Aerospatiale	France	8.504
Northrop Grummen*	US	8.071
Daimter-Bertz Aerospace	Germany	7.302
Thomson CSF	France	6.062

has achieved with Boeing, Lockheed Martin and Ray-

Arms manufacturers, in contrast to civil aircraft builders, have seen a huge contraction in their markets since the end of the Cold War as governments have taken the opportunity to cut spending. Nato members' With the disappearance of defence budgets have fallen

since 1985. However, for the slimmeddown US troiks and their suppliers there are still plenty of orders to be won. The US government still had \$77bn to spend in 1996 on procurement and research into new weapons, and the defence budget seems unlikely to face further significant cuts while tensions remain in the Middle East and the Korean peninsula.

The situation is somewhat different in Europe, where Nato member-governments spent only \$47bn on procurement and R&D in 1996 but a far larger number of defence companies still survived.

British Aerospace, which has recovered from severe financial problems in the past few years and is thus leaner than many of its European rivals, favours formation of a European civil/ military conglomerate which

business, much as the US enough in each country to win arms orders from govermments.

However, there are huge

obstacles in the way of this solution: governments have been unwilling for political reasons to buy much from foreign companies or to harmonise their procurement. in France, much of the defence sector remains publicly-owned, making it difficult to create a merged company which would appeal to private shareholders. And not all potential participants favour large-scale integration, which some fear will hamper their chances of win-

ning orders in the US. For the time being, projects such as the £42bn Eurofighter aircraft will keep order books healthy for many European companies But the relatively small size of European companies and lower R&D spending, which hampers development

of new technology, could eventually mean that most will not be able to compete with the US giants even in their own countries. This will mean that the best of them occupy niche positions. mainly as sub-contractors to the Americans.

By the end of 1999, it will be easier to see to what extent the Europeans will pose a challenge in the would be seen as domestic defence business

Prices, costs dominate

ENERGY • by Robert Corzine

Slower economic growth in east Asia likely to sharply reduce

demand for oil The level of oil prices and industry costs are likely to be dominant themes in the global petroleum and natural gas industry in

the aftermath of the November meeting of the Organisation of Petroleum Exporting Countries (Opec), which decided to increase its production ceiling by 10 per cent to 27.5m barrels a day.

A number of factors are likely to determine whether that decision was ill-timed. or whether the world will be able to absorb the additional Opec output.

Industry analysis expect the economic turmoil in Asia to be an important factor in the coming months. One school of thought suggests that a sharp reduction in income growth in the region and a rise in petroleum product prices will cut deeply into demand.

"It's a double whammy," says Robert Mabro at the Oxford Institute for Energy Studies, "The devaluation of the region's currencies make (US dollar-denominated) oil more expensive and there will be lower economic

growth." in recent years Asia has accounted for about half of the increased world demand for oil. Analysts are especially concerned about the impact of the slump on China and India, the region's two biggest energy markets. Recent growth in oil consumption in China has been a big factor in overall global demand: figures from the International Energy Agency (IEA) show that Chinese demand in September rose almost 15 per cent year-onyear, well above the global figure of just over 3 per cent.

controversial forecast that non-Opec production will grow by 1.9m barrels a day. continuing humanitarian if correct, that means there would be little room for Opec's planned expansion. The builish view of the

non-Opec output will rise by between 1m b/d and 1.3m

PIW ranking of leading oil companies.

IEA is disputed by many in the industry. They believe Saudi Arabia is likely to

prove crucial to overall prices in 1998. A recent report by the London-based Centre for Global Energy Studies said: "If Iraqi oil continues to flow steadily in 1998, the price of oil will depend crucially on the Kingdom's output stance." Many hope that Saudi been one reason behind the

that the programme will be expanded in 1998, given the needs within the country.

The threat of lower crude oil prices coincides with a rising cost profile for the industry. Rates for key pieces of equipment, such as drilling rigs, have risen relentlessly over the past two years. It has coincided with a shortage of skills in some sectors of the industry. This has been partially brought about by the industry-wide reduction in manpower over the past decade, a trend which some expect to be reversed in coming

The shortage of rigs has Those who defend the Arabia will be "careful" delays over the past year in



of Opec output. The industry may also find its taxes rising in 1996, say some analysts. In recent years governments have competed against each other

to attract oil investment. "Governments were long on opportunities but short on investment funds," says Gundi Royle at Deutsche Morgan Grenfell in London. But the industry was in the opposite situation." She and other analysts believe the industry's relatively high rates of return of capital employed are being noticed by governments keen to

secure additional revenues. The high asset values in the sector in recent years have generally deterred mergers and acquisition activity. But a period of low prices "could be the catalyst for renewed M&A activity", according to one industry executive. "The industry is definitely positioning itself

for more mergers," he adds. Higher finding and development costs could also encourage more acquisitions, as asset values would not appear as high relative to the expense of finding and developing oil fields.

The higher risk profile of the industry also argues for more mergers, say some observers. "You need to create stronger units that are up to the task of the technical challenges of drilling in deep water and which can handle the commercial risk of moving more deeply into executive.

The environmental and social impact of large-scale oil developments is also expected to be an issue, with some companies sensing & possible competitive advantage in being perceived as being particularly adept at dealing with potentially controversial developments.

Asia shockwaves are still spreading

favour big well-resourcesd

companies with well-estab-

Continued from Page 1

big advantage to the multinational over local producers. But the strongest local brands can prosper - as organisation is a more Nirma detergents in India and Wedel chocolate in Poland show.

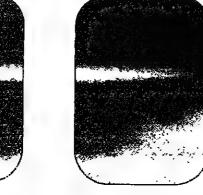
Many of these shifts in the

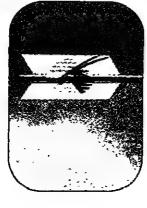
lished national networks. Mr Barnevik, of ABB, argues that his group's global For example, the internet enduring competitive advantage than a new piece of technology which rivals can easily replicate. However, nature of world markets the future leaves plenty of

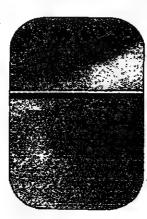
room for smaller companies which are often quicker at seizing opportunities and more willing to take risks. has spawned a host of new companies as well as generating business for established giants such as Microsoft, the US software company.

Nor does globalisation mean an end to diversity. Even within multinational companies there are marked differences in the cultures of different national subsidiaries. Taking account of this diversity while pursuing global targets remains a significant challenge for even the most global companies.







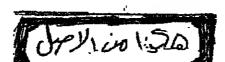






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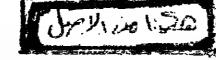
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MOTOR INDUSTRY . by Haig Simonian

There's room for optimism

Time could be ripe for carmakers to focus on cutting costs in distribution

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Economic earthquakes in Asia and their aftershocks in South America will remain. the dominant themes for the meter hidustry in the year ahead. But, when considered in perspective, the upheavals of late 1997 are unlikely to pesent much more than distant, rumbles in the relentless globalisation of the world's biggest manufac-

Analysis looking beyond the short or medium term have even found grounds for optimism from the convulsions which have sent sales into free-fall in most of south-east Asia and had repercussions in much of South America.

They argue that the recent turmoil represents an essential break from the remorseless rise in the world's vehicle production capacity beyond 50m units a year. investment decisions will be reconsidered in the light of the latest circumstances. prompting postponements and, occasionally, cancella-

Some shakeout is also inevitable as undercapitalised but over-ambitious manufacturers go to the wall. The acquisition of a majority stake in Ssanngyong Motors by Dacwoo, a bigger South Korean counterpart, may be part of a painful, but neces-

sary, restructuring. Kia, Korea's second biggest carmaker, may follow. The company's fate remains in the balance after a government rescue in November. Many observers expect its car and commercial vibrant sales. Demand in

Leading automotive groups US

France

Korean rivals, in spite of ministerial assertions that Kia will remain independent, Similarly painful medicine

may be required in Malaysia and Indonesia, where government policies to encourage "national" vehicle programmes now look out of key with the changed economic circumstances,

The Asian events will have repercussions in other piarkets. In Europe and, to a lesser extent, the US, carmakers are concerned they will be flooded with lowpriced imports as hardpressed Asian manufacturers compensate for declining domestic demand by stepping up foreign sales. Some Japanese car compa

nics have already said they intend to intensify exports to make up for sluggish sales at home. Such reactions could trigger renewed trade frictions with Washington. In Europe, local producers will be monitoring sales of Japanese and Korean brands ciosely.

But the Asian turmoù will prove less disruptive abroad than first feared if demand in the US and Europe - the · world's two biggest car markets – remains buoyant.

Analysis expect demand to stay strong in the US - the seventh successive year of

vehicles divisions to be Europe is not expected to divided between stronger repeat the higher-than-expected figure for 1997, when sales came much closer to their historical 14m unit peak than anyone expected. However, sales will remain lively as long as demand is boosted by special government incentive schemes,

> Eastern Europe and the former Soviet Union should continue growing strongly prompting further direct investment along the lines of the joint ventures established by Fiat and by Renault in 199 The outlook for South

such as in Italy.

America is less clear. Demand for cars in Brazil the region's biggest market fell sharply in the closing months of 1997 after the government pushed up interest

rates to protect the domestic Benz's A-Class mini-car. currency from speculators. year. The prognosis for 1998 view of how quickly interest rates will drop.

ers will remain under pressure to shorten their product development times and to expensive variants - looks cut production costs to rock solid. remain competitive. The coming year may also bring the long-awaited focus on streamlining distribution the last main cost centre after production and pur- tion candidates dwindles and chasing to be pared down.

Product development engineers will see no respite in manufacturers' demands for new products to cover every Europe, that will mean more vehicles to compete with Renault's highly successful Megane Scenic model, which has had the field largely minicars are also expected. although their makers will hope to avoid the embarrassupsets which marred the launch of Mercedes-

US carmakers will con-The effect was to choke off tinue to develop "recredemand for consumer credit, ational vehicles" to compenwhich had fuelled the sharp sate for the decline in rise in car sales during the demand for traditional passenger cars. However, there depend on analysts' differing are signs the boom in demand for "KVs" is changing: while sales of multi-pas-Irrespective of the events senger minivans may be in Asia, western manufactur- softening, demand for sports utility vehicles - and especially the biggest and most

> The supply base, meanwhile, will continue to consolidate although the page of concentration may slow as the number of big acquisitakeover targets obtain a

rarity value. Rather than independent supply companies, the focus in 1998 may shift to General have hived off their compocompact multi-purpose nent operations into separate subsidiaries. GM's Delphi arm is putting its house operations, including seatto itself. More urban ing, to prepare for its stock market flutation.

Ford's recently renamed Visteon subsidiary operation has been rather more engey cagier about its plans.



cedes-Benz M Class fits into the popular sports utility sector



Poolo Cantarella, chief executive of Fiat One hundred years young and at the dawn of the new millennium, the challenges facing the motor industry are many, but clear. The process of true globalisation must continue. for the customers of the new worlds require it and we must do it in order to guarantee our competitiveness, However, we must be Industrial and social demands go hand in hand. This process, together with investments in new models and technology, which

quicker pace In order to satisfy consumer demands and combat increasing competition, means that trade and economic rules must be the same for everyone. Free, but fair, trade. The difficulties we have seen in Asia and Latin America should be seen as temporary difficulties part of the growing pains of any expanding economy. For the motor industry. always a long-term planner, our commitments at least, in these areas will remain largely in place. In Europe the new car market In 1998 should expand by around 2 to 3 per cent.

THE ENVIRONMENT • by Leyla Boulton

Opportunity and threat

Japan has given the world a lead in tackling problems of climate change

Climate change, followed by waste, will top the environmental headaches for business this year. They represent both an opportunity and a threat.

The world's first legallybinding treaty to curb "greenhouse gas" emissions linked to dangerous climate change was agreed in Kyoto on December 11. This requires cuts in fossil fuel consumption by the US. Japan and the European Union, but its impact will vary from industry to indus-

while some will be clear winners other businesses will have to adjust in order to thrive. Nowhere are these differences better illustrated

Hirofumi Tezuka, general manager of the solar divi- dioxide reductions. sion of Kyocera, a ceramicsto-semiconductor conglomerate, expects a powerful boost in demand for solar products from the accord struck in his home town last month.

ronmental manager of Nippon Steel, Japan's biggest steelmaker, acknowledges - future competitiveness. that his industry will need to change in order to thrive in a post-Kyoto regime.

Japan has already done more than most countries to tackle climate change in practical terms. Its actions are likely to be imitated by the US and the EU.

Kyocera enjoys the world's most generous government subsidies to encourage demand for solar power, which is seen as both a means of avoiding "greenhouse gas" emissions and reducing Japan's dependence on imported oil.

For the current financial year, the Japanese govern- tered with a collective ment has provided Y11bn to recycling scheme, companies subsidise the installlation of are now expected to provide solar panels - which gener- data to governments on how ate electricity from sunlight much waste they generate so - on the roofs of new their obligations under the houses. Another Ylabn is new law are correctly has been made available in ass subsidies to encourage indus Later this year, European try to take up solar alterna- environment ministers will tives, and for research and

Just before the Kyoto con- tory recycling of both cars ference the US unveiled and electronic goods from plans to instal solar roofs on computers to televisions. government buildings and to Such obligations would spend \$500 on tax breaks to extend not just to European promote renewable energy companies but to the many sources. The European US and Japanese multina-Union is considering a pro- tionals which sell photocopigramme to promote renew ers and cars into the EU.

In the meantime, Mr Tezuka smiles when asked whether he thinks his company is getting a head start against foreign rivals such as BP Solar, which does not benefit from UK government subsidies. "I think so," he

In contrast, companies such as Nippon Steel, representing one of the most energy intensive industries in the world, will have to work hard to turn the challenge of climate change into an opportunity.

Japanese energy conservation efforts dating from the first Middle East oil crisis in 1973 have already helped make Japanese steelmakers more energy efficient than most of their international competitors.

As head of the carbon dioxide committee set up by Keidanren, the Japanese business federation, Mr Iwabuchi is acutely aware of the challenges of further carbon

He says that "maybe in the next century carbon dioxide is going to be the biggest problem" for the steel industry. But he also sees companies' ability to But Isao Iwabuchi, envi- produce more goods while resources as key to their

> The notion that companies stand to gain a competitive advantage from eco-efficiency is also true of waste, the other main environmental challenge of 1998. Governments are likely to

> continue to increase pressure on companies to minimise the waste generated by both their products and production processes. This trend is particularly advanced in the EU. An EU directive requiring

industry to recycle or otherwise recover half its packaging waste by 2001 begins to bite this year. Having regis-

decide whether to press ahead with plans for mandaTHE SUNDAY TIMES 23 NOVEMBER 1997

delay thy

US urges: delay EMU 'timebomb'

THE White House has been advised that the combination of European monetary union and the year 2000 "millennium timebomb" could cause a financial catastrophe.

President Clinton has been told by specialist consultants commissioned by American government to advise on the problem to call for posiponement of the starting date of the single

currency. A confidential report requested by the White Office House Management Departme ...

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PHARMACEUTICALS • by Clive Cookson

Another golden year in prospect

A change of heart is just five years since one respected team of investon healthcare by governments is helping to fuel strong demand

The pharmaceutical industry is looking forward to another golden year in 1998. Most companies expect strong overall growth in sales and profits, fuelled by double-digit expansion in the

At the same time, there is increasing excitement about the lifeblood of their future. a new wave of innovative In response to such fears, drugs in the research pipeline as scientists apply new genetic and chemical techniques to pharmaceutical discovery and development.

There may be some setbacks as governments in Europe and Asia attempt to strengthen drug price control mechanisms but on the whole, as Richard Markham, American chief executive of Germany's Hoechst Marion Roussel (HMR), puts it: "It's going to be a fantastic year for the industry."

Analysts expect the global market to keep growing at about its current rate of 7 As Mr Markham notes, it

ment analysts put out a fat report entitled The Pharmaceutical Industry of the Future - A Black Hole.

In the early 1990s, many

people forecast that a combination of healthcare reform programmes and ferocious price competition between similar drugs would drive down profits throughout the industry, to a point at which many companies would be forced to make big cuts in research and development shares in pharmaceutical companies were then trading

at a price/earnings discount

to the market.

As it turned out, the Clinton administration and Democrats in Congress failed to impose a damaging reform programme in the US, European governments took a more relaxed attitude to pharmaceutical pricing than the pessimists had expected. and several companies managed to cut costs substantially through mergers and

sequence of four consecutive years in which the pharmaceutical sector has outper-

	Country	Pharma sales	Group sales
Marck	US	15.971	27.439
Glaxo Wellcome	ÜR	34.010	14.010
Newswife	Switzerland	13.433	23,588
Bristol Myers Squibb	US	12,320	18.341
Pfizer	US	10.689	13,682
Roche	Switzerland	10.553	18.784
Anwicen Home Products	US	10.549	14.657
Johnson & Johnson	US	8.925	25,365
Smithkilme Beecham	ÜK .	8.688	14,100
Hoechst	Switzerland	8.173	30.072

formed the market. It is now back to its traditional P/E premium.

'As a sector, the pharma industry has delivered in spades," says Mark Becker, London-based pharmaceutical analyst for J.P. Morgan Securities. On average, companies have shown earnings growth of 13 per cent over the past five years and are forecasting growth of 13 per cent over the next five.

One reason for the improved outlook, Mr Markham says, is that companies are winning the battle to convince governments that drugs, far from being a drain healthcare resources. help to save money. The industry's growing band of pharmaco-economists is producing increasingly

and Wellcome before their merger in 1994. sophisticated analyses to show that innovative drugs lead to savings far greater than their own costs, for example by reducing sub-

hospital. "It is becoming increasingly clear that the pharmaceutical industry will be the saviour in the fight to cut healthcare costs," Mr Markham says.

stantially the time that

patients need to spend in

The other reason for optimism is the way companies are increasing the productivlty of their R&D operations (which typically consume about 15 per cent of total expenditure) by improved management and new technology. Large companies such as HMR, which have managed to launch drugs at

a year, are now promising two or three important new products a year. Glaxo Wellcome put 18 new chemical entities into the first 'exploratory" stage of development in 1997, says James Niedel, R&D director, compared with just six by Glaxo

I'm very excited about the R&D revolution," says Kevin Wilson, European pharmaceutical analyst at Salomon Smith Barney. "T think it will be very bullish for some parts of the indus-

One buzzword in the industry, which Mr Wilson predicts will become increasduring 1998, is bioinformatics: the use of information technology to make sense of the vast volumes of genetic and biological data pouring out of research laboratories. Companies vary greatly in the extent to which they have invested in bioinformatics; SmithKline Beecham has perhaps the highest profile in this field.

Another likely buzzword for the future is pharmacogenomics: using genetic analysis of patients to precial for their disease. Although the pressure on pharmaceutical companies

to merge has relaxed as their brighter, the industry is expecting further activity in mergers and acquisitions over the next two or three years. Consolidation may no longer be a matter of life or death, but companies are still attracted by the large cost savings available from a well managed merger.

Some names feature in takeover speculation more frequently than others. Global companies that are in the second tier by size, such as the UK's Zeneca, are often seen as targets. Any of the ingly familiar to investors giants seeking to increase market share is a potential predator, though Switzerland's Roche may be particularly hungry now that Ciba and Sandoz have combined into Novartis.

Predicting takeovers is as much a matter of guesses and rumours in the pharmaceutical industry as in any other. But, with the largest companies holding less than a 6 per cent market share. the biggest surprise would be if there was no corporate



Str Richard Sykes, chief executive of Gloxo Wellcome For our industry, 1998 is likely to see a continuation of two co-existing themes: the discovery and development of important medicines, alongside the challenges of financing society's demands for improved healthcare.In Europe, the important dialogue sponsored by Martin Bangemann (the EU industry commissioner! has made progress which can be built apon in

1998. This contrasts with

Japan, where neggive policy responses towards pharmaceuticals are in prospect.It is in the US where issues of key importance to the ultima consumer of healthcare the patient, are being addressed, through Improved information provided directly to nationts and focus on the quality of care and not fee its costs. I look forward on a greater role for patients on the agenda in other areas of the world in

TELECOMMUNICATIONS • by Alan Cane

Competition gets tougher

Liberalisation, globalisation and advances in technology create more rivalry

It would take the gift of second sight and more to predict the course of the telecommunications industry over the next few years. One thing, however, is certain: the industry in 2008 will bear little resemblance to the telecoms business of

Most, if not all, of the world's national carriers will have been fully privatised. By 2000, for example, it is likely that all Latin America's leading operators will be in private hands. Competition will be open and controlled by global regulation. The telephone network will carry more minutes of data than voice. And it is possible that ownership of the industry will have drifted away from the traditional operators towards new carriers with internet capabilities, such as WorldCom, of the US, and to the computer and media companies - Microsoft, for example.

All this will come about because of advances in technology, the globalisation of business and the liberalisation of markets. All of selling advanced three are contributing to a equipment to the rash of profound increase in competition in an industry which for most of its existence has enjoyed co-operation rather than

rivalry. This year is likely to prove pivotal. January 1 was the date set by the World Trade Organisation for the liberalisation of telecoms markets throughout much of the world. It was also the date on which the European Union's leading economies had agreed to allow full competition in voice and data services.

services will grow strongly, driven by an increase in data transmission associated with the internet. But costs are falling and carriers are peering anxiously into a future in which the only certainties are tougher competition and drastically lower margins.

example interconnection rates, the price an operator charges in the UK, where there has some five years, than anywhere else in Europe. In New Zealand, where a liberal market has

chiefly international telephone calls over the internet and,

rival operators to connect to its network. These are lower been full competition for been

The single most important where development in the past few months, however, has been the emergence of internet telephony. For more than a year the technology has been available to make quality commercial

conventional price. This has been a remarkable technical feat. Data is sent over the internet in discrete blocks. or "packets", which are not best suited to voice

therefore, at a fraction of the

conversations. There will inevitably be some effect on operators'

Country	` . · ·			
Jupan			71.143	
uś			52,184	
Germeny			40.584	
France			28.891	
UK .			24.493	
US ·			21,220	
thely . ·			10.192	
US			18.046	
U9				
Spain			15.261	
	Country Japan US Germany France UK US Bally US US US	Country Japan US Germeny France UK US Italy US US US	Country 1996 revenue Japan US Germony France UK US LS baby US	Depart 1995 telecom 1995 telec

accompanied by an absence of regulation, interconnection charges are five times the UK rate on a comparable basis.

For manufacturers, on the other band, the possibilities new operators should more than make up for the way cutting the cost of electronic years, equipment.

Northern Telecom, the Canadian manufacturer, for example, won a \$60m contract last month, from NetSystem International, a Oslo, Norway, which aims to "virtual" network operator, providing intelligent systems carriers' networks, offering

Deutsche American operators \$8bn in technological advances are revenues over the next four

cost of long-distance calls is set to fall as a consequence of competition and technical new telecoms group based in These latter services primary cause of "churn" essentially make it seem become Europe's leading that a call from a country where call charges are high has it origin in a country where charges are low. Internet telephony and

revenues. Philips Tarifica, the consultancy, estimates Telekom's revenues will be cut by at least \$105m in 2001 because of internet telephony. In the US, Action Information Services calculates that voice and fax over the internet will cost North

The internet apart, the customers a single point for call-back spell the end of the millions.

'accounting rate" system international operators pay each other inflated amounts to carry each others' calls.

The cost of local and long-distance calls will continue to fail as competition develops in countries where hitherto there had been none. But the speed at which it develops should not be overestimated. The incumbent operators will fight back, and they have most of the advantage

Regulation will be key. Analysts point out that European fixed-wire operators fall into two groups: the north Europeans include BT, Deutsche Telekom and KPN of the Netherlands, all mature, relatively efficient operators facing tough cometition and tight regulation. Analysts expect earnings growth of between 5 per cent and 11 per cent a year for these companies.

The south Europeans include Telecom Italia, Telefónica and Portugal Telecom, where competition is expected to develop slowly to fill expanding and regulation will be less rigorous. Earnings growth for these companies is expected to be around the 10 to 19 per cent a year mark. Good for investors, but a burden for businesses in the region who will continue to pay over the odds for their communications.

Mobile telephony will continue to grow strongly. driven by falling prices and a growing global understanding of the value of mobile communications. The industry is maturing rapidly, clumsy credit-checking, developments such as handset subsidies and high call-back and re-file services. , charges which have been a subscribers leaving or being excluded from the network. Pre-paid services and realistically priced handsets are bringing new subscribers onto the networks in their



MEDIA • by John Gapper

in snadow of uncertainty

One of the main challenges now is to create content

capacity After a period of rapid growth in the early 1990s, the global media industry is investing for an era in which competition will be more intense and rewards more uncertain. That is now reflected in wilting share valuations for companies that are embarking - some willingly and some through lack of choice - on the digi-

tal adventure. This phenomenon has been particularly marked in Europe, where media companies bave performed abysmally against stock market indices. Media companies that were prized for their strong cashflow and growth prospects in the past few years have seen their value shrink as investors realise the scale of risks that they are now facing.

For an industry used to strict regulation in many markets, the media sector is now facing huge uncertainty. Broadcasters are unsure whether they can attract subscribers and advertising revenue to cover the escalating cost of digital service, while the divide among winners and losers in information fields is ever

more pronounced. The over-arching theme in global broadcasting is the expansion of capacity in the switch from analogue to digi-tal broadcast. This is transforming the number of channels in most countries outside the US from a handful to a few hundred, and allowing far greater choice in what viewers want to watch, and when they do so,

For information providers, the challenge is less to create content to fill the everexpanding capacity than transferring existing information into different forms. The most successful global information groups, such as the Dutch publishers Elsevier and Wolters Kluwer, have had to switch information to online databases.

Changes in technology in digital technology, which all fields are leading to a re- allows broadcasters to evaluation of the balance of power between the owners of nels into a set of frequencies. content and distribution. As all channels of communica- the gatekeeper applications tion expand, greater power is such as electronic probeing placed in the hands of gramme guides. These deter compact discs. Goldman stand out from the crowd.

content owners, and is mine how easy it is for a Sachs, the US investment increasingly passing to tal-viewer to find a particular bank, is predicting growth in tain or inform others.

The geographical power of particular economies is also becoming less certain. US entertainment groups such as Time Warner and Disney remain extremely strong in filmed entertainment. Yet US companies face tough challengers in financial information and in other specialist information fields the US is surprisingly weak.

Broadcasting is the arena facing most rapid change, with the strength of networks being challenged strongly for the first time outside the US by pay-television providers. At the same time. US digital satellite

Leading media companies

strongly, and cable groups

are pondering a switch to

the next generation of set-

One of the most conten-

tious issues to be addressed

in the coming year is

whether the attempt by

Microsoft to create a televi-

sion operating platform with

a market strength similar to that of Windows 95 in the

personal computer market

will work. Microsoft has

reinforce its second front in

Among these have been the purchase of its Web TV

subsidiary, and the market-

ing of its Windows CE appli-

cation as operating software

for set-top boxes. Cable

groups such as Tele-Commu-

nications, of Denver, will

shortly place multi-billion

dollar orders for an array of

set-top boxes capable of han-

squeeze many more chan-

has sparked a debate over

The massive capacity of

dling digital channels.

made a number of moves to

top boxes

cales.

ented individuals who enter- channel among the array on sales volume of just 4 per cent for 1998. In information markets, it

offer. Yet in many markets the depth of investors pockets may determine as much as European groups that have the niceties of technology. Even the US market is unlikely to be able to bear four digital satellite providers indefinitely, as Rupert Murdoch's uncharacteristic retreat from battle during venture with Echostar indi-

There has already been satellite television through the agreement between KirchGroup and Bertelsmann in Germany to share assets. Yet Canal Plus and broadcasters are competing British Sky Broadcasting.

Sources: Datastream/ICV and S&P

which have led pay-TV in

France and the UK, face an

At the same time, Euro-

interest in digital services

ing mass audiences than in

the past, as the mass audi-

ence becomes scarcer amid

Music groups do not face

the same difficulties.

labels have the difficulty of

slow growth in demand fol-

lowing the rapid re-stocking

by consumers that came

proliferating channels.

risky new market.

competition from others.

publishing. If the merger of the Dutch publishing groups Elsevier and Wolters Khuwar and the British company Reed is allowed it will create 1997 by abandoning a joint the world's strongest information group.

will be a crucial veer for the

been attempting to reinforce

their strength in information

Reed Elsevier-Wolters Kluwer would have extremely consolidation in European strong positions in legal, fax and medical publishing in both the US and Europe, Notonly is there no US company with similar strength in specialist publishing, but the US market in financial information is also in flux, with several established providers

undergoing change.

Dow Jones, publisher of the Wall Street Journal, has managed to expand the newspaper into Europe and Asia. However, the familycontrolled group may sell its financial data subsidiary Dow Jones Markets. Primark, the Massachusettsbased company, has also put up for sale its financial infor-

mation division. Yet the direction of this market is unclear. Reuters. unaccustomed degree of the strongest European group, has displayed little appetite for aggressive pean regulators are displayacquisitions having just ing more inclination to handed £1.5bn back to shareimpose a blueprint for the holders. The fastest-growing digital future. The European US participant, Bloomberg. Commission's competition is still privately-held, and to directorate has displayed an date has grown organically rather than by buying other

across the continent, and providers. provoked complaints that it This range of uncertainties is in danger of stifling innomeans the global media vation in what is already a industry is likely to undergo an uncomfortable period in the coming year. Even if the For traditional free-to-air networks, the full onset of broadcasting move into digipay-television is likely to tal works as planned, there lead to stronger challenges are too many competitors to for advertisers' money. Yet survive unscathed in the the US networks have shown long-term, while the market that they can command in financial information in higher premiums for deliverparticular is highly uncer-

Yet the breaking down of traditional technology constraints mean that new players have a better chance of competing than in the past Instead, the large music Stock market valuations may reflect in an accurate way the probability that not every participant will invest wisely, but there are opporwith the introduction of tunities for those that can

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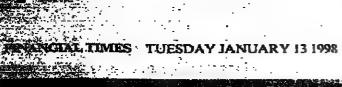


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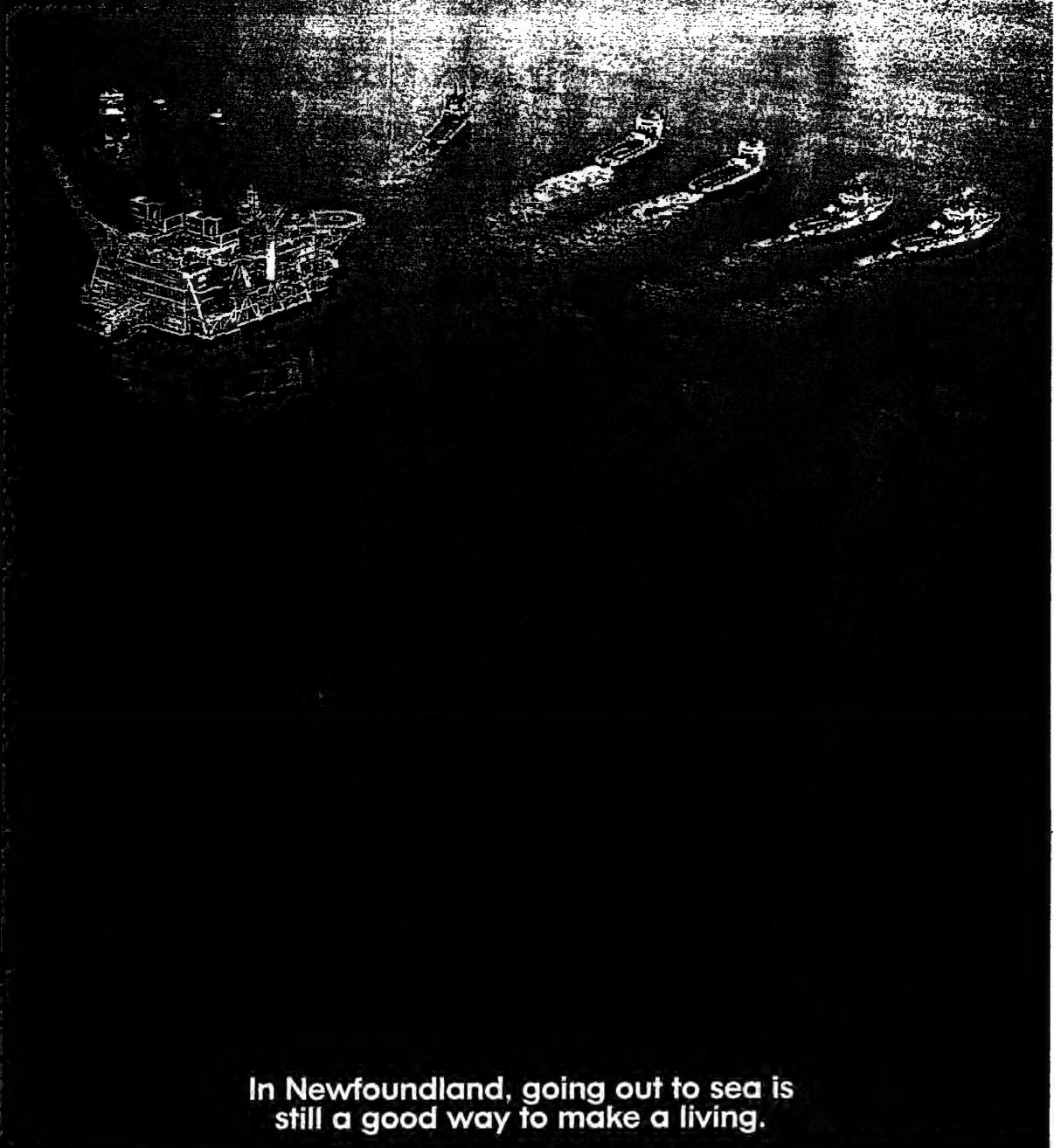
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Off the Canadian Maritimes, beneath waters southeast of Newfoundland and Nova Scotia, lie three billion barrels of oil and trillions of cubic feet of natural gas. Pictured above is the biggest thing ever towed to sea—the Hibernia oil platform. Heavier and 7,000 people to build, and it's now at work exceeding all expectations. Mobil is the largest partner in a group that will operate Hibernia for at least 20 years.

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to make a difference.

are in the process of adapt

ing to internet technologies. a little later than in North

America and Europe, thus

providing strong markets for

internet equipment and soft-

technology will override eco-

nomic uncertainties in Asia

remains to be seen. US tech-

nology companies take com-

fort, however, in the belief

that Asian companies with

global operations will not

risk falling behind their for-

eign competitors in making

use of internetworking tech-

nologies that link remote

operations and provide

online communications with

While the high-tech

growth markets of the past

few years may be slowing,

new markets with even greater potential are on the

horizon. It was not by

chance that when "Asia

paranois" struck the US

stock market last month.

Bill Gates, the chairman and

chief executive of Microsoft

was visiting Beijing.
China, many US high-tech
companies believe, will

become the next big engine

of growth for export sales.

South America, and in particular Brazil, also repre-

sents a strong emerging

market for IT suppliers that

could help to compensate for slowing growth in Asia. There are several technol-

ogy trends that point toward

robust growth in the estab-

lished high-tech markets of

North America and Europe

over the coming months.

These include the growth of

the internet, which is still

attracting new users at a

rapid pace and forcing

access providers to upgrade

their networks to keep pace

The widespread installa-

with demand.

customers and suppliers. -

Whether the rush to keep pace with rapidly-changing

ware suppliers.



INFORMATION TECHNOLOGY • by Stefan Wagstyl

IT is reaching out to the farthest corners

A company's location is now more likely to be determined by skill bargains

Among the safest forecasts which can be made about the business outlook is that information technology will spread further and deeper into everyday working life.

IT companies already account for more than 10 per cent of output in the US, and approaching 10 per cent in Europe and Japan, But the real measure of the impact of IT is in its effects on businesses and processes which once had little to do with

computing. From the control room of a chemical works to the small import-export office, IT is changing the business world. 'airneross puts

improvements in communications at the centre of these changes in her recent book. The Death of Distance. In a 30-point summary, she claims that faster and cheaper communications will do everything from ciency to promoting global

Among her more intriguing forecasts is that IT will make companies and people more honest, "Since it will be easier to check whether people and companies deliver what they have promised, many services will become more reliable and people will be more likely to already commonplace for their word," she says.

beloing to enhance global markets by reducing the "Companies will locate any technology.

where on Earth, wherever they can find the best bargain of skills and productiv-

In fact, this rule applies increasingly not just to on the savings and other screen-based activities, but to all business activities which do not require face-to-face contact with cus-

With the help of IT, product development, production and marketing can be carried out in different countries and tied together to generate profit. A skirt designed in Italy and made in India can be sold in

her consultant will share the rewards of the work - with a portion of the payment to the consultant being based benefits arising from the changes which are made. Sometimes the partners also agree to share the lessons learnt - the client company can transfer the improvements to other departments

Such contracts often envis-

age that the client and his or

while the consultant is also free to use them. Some chief executives balk at this idea. Across the globe, there are many cases of very centralised companies which have

			_	
ading	computer,	office	equipment	companie

	Country	Sales (US\$bn)
IBM	US	 76.9°
Fujiteu	Japan	40.0°
Hewlett-Packard	US	 38,41
Canon	Japan	 22.71
Сонтрых	Japan US	 18.11
Xerox	US	17.41
Digital	ūš ·	 13.05
Ricoh	Japan '	 11.7
Microsoft	US .	11.45
Annie .	LIS.	7.14

year to December 1886; " year to March 1997; " year to June 1997; " year to Sept

Japan. Moreover, IT means that the different stages of the commercial process can increasingly be carried out outside the company as well as inside.

IT outsourcing deals,

which started life as a cheap way of data processing, have become ever more elaborate. with companies bringing ITrelated partners deeper into their own organisations. It is trust each other to keep management consultancies to win contracts for provid-Ms Cairucross argues that Ing everything from comcommunications are already puter hardware and software to advising on the organisational changes which will be importance of distance and required to make the best of geographic location, use of the newly-installed

done very well in world markets, building networks of affiliates in many countries. They are among the frontrunners in the use of technology but do not expect corporations to go fuzzy at the edges. Toyota Motor, the Japanese carmaker, is an

The advance of IT does not just bring organisational change; it also alters the nature of the products and

services which are produced. Percy Barnevik, chairman of ABB, the Swiss-Swedish engineering group, said in a recent speech: "All companies are IT companies... electronic intelligence is now being built into everything. The competitive edge of a they occur.

IT COMPANIES . by Louise Kehoe

Asia threat to the boom

US chipmakers fear their Korean competitors will add to worldwide oversupply

The information technology boom of the past two years, which has been driven by the widespread adoption of internetworking technology. is set to continue through to the end of the decade and beyond, according to indus-

try forecasts. But economic turmoil in Asia, which has hit the earnings of some of the most prominent US high-technology companies in recent weeks, is casting doubts on the outlook for technology industries, at least in the

short term. The Asia-Pacific region, including Japan, has been a high-growth market for many high-tech products over the past five years. Companies such as Oracle, a leading supplier of software to large businesses, have become accustomed to see ing their sales in the region increase by at least 60 per cent a year, a rate that far outstripped Europe or the

Now Asian currency crises threaten to dampen revenue growth. Oracle, for example is not counting on any growth in Asia-Pacific markets over the next few quarters, says Ray Lane, Oracle's president. Several customers in the region have put spending on hold, although some large software installations are going ahead, he

train or a power plant is

increasingly a matter of pro-

cess control, self-diagnostics.

optimisation devices, man-

machine communication -

almost half the value is in

process control and electron-

ics. If you add documenta-

that maybe 25 per cent of the

total price is conventional

hardware and what you sup-

ply is mainly software and

Already there are manu-

make nothing. Keyence, a

Japanese electronics com-

in the process of spinning off

or reducing other services

which were once considered

central to an airline's busi-

ness, such as vehicle mainte-

The changes wrought by

IT put big pressures on indi-

viduals. Not everyone will

nities which are being cre-

ated. If some companies

Some individuals will seize

the chance to advance their

careers and others will lose

through sheer bad luck.

their jobs through making

"In a steel rolling mill,

all IT-based.

know-how.

The impact of Asian economic problems in the hightech sector may vary greatly by industry segment and geography. US companies tion, training etc. you find which count their revenues in dollars are feeling the effects of falling Asian currencies more acutely than counterparts facturers who themselves

Europe, for example. The most vulnerable hightechnology companies are pany, carries out its own providers of capital equipresearch and development ment; for example, the semiwork and handles market- conductor production equiping. But all the manufacturment industry is taking a ing is carried out by sub-conhard hit. Applied Materials, tractors. British Airways has a Silicon Valley company denied that it wants to make that is the world leader in itself into a "virtual airline", chipmaking equipment, saw ness of flying aircraft would than 40 per cent in the four be sub-contracted. But it is months to mid-December. The company received 42 per Asia - primarily Japan and South Korea - in the last fiscal year.

Robert Stern, an analyst at the semiconductor equipment industry, downgraded assess correctly the opportu- nine companies, including Applied Materials, last month. He lowered his foremake a spectacular success cast for market growth from of the IT revolution, others a range of 10 to 20 per cent will make a dismal failure. to a range of 5 to 10 per cent. in other sectors, the

impact of the Asian economic crisis is expected to the wrong choices or tional Business Machines and Hewlett-Packard, the These considerations put a two biggest US computer premium on training. Com- companies, Asia-Pacific typipanies which train their cally represents some 15 to staff well are more likely to 20 per cent of annual sales. have the resources to Thus the effects of slowing respond to changes when growth in the region are not



PCs continue to roll off the production line, but there are worries in the servicenductor market

However, in segments of news. Already, prices of the high-tech industry where "entry-level" PCs are falling Asian producers play a big role in world markets, the picture could be quite differ-

US chipmakers fear that South Korean memory chip manufacturers, for example, will take advantage of aid from the International Monetary Fund to continue to expand production and exacerbate a serious worldwide oversupply that has driven prices of memory chips down by at least 70 per cent over the past year.

accompanied by restructuring plans that shift the South Korean industry away

well below \$1,000 in the US, domestic market growth.

A survey published last month by Dataquest, a market research group, showed that 10.2 per cent of US households planned to buy a PC over the next six months. This is an increase of 1.5m households over the same time last year and is driven largely by falling prices, the

Yet while lower prices may stimulate the PC mar-IMF aid should be ket in the US, economic problems could create a prolonged period of weak sales in several Asian countries. from government supported including Japan, according

analysts said.

tion of corporate intranets internal networks based on internet technology - as well as extranets that link companies to their suppliers; and customers, have become the primary engine of growth in the IT industry, according to industry analysts.

This has been accompanted by broad adoption of the Microsoft Windows NT operating system which is fast becoming as much a standard for network servers as Windows 95 on the top PC.

The emergence of reliable voice recognition technology is expected further to boost iemand in the next year or two. Hand-held computers are also coming into their own, after several years of mediocre sales and creating potentially huge new mar-

The biggest prize, however, is the prospect of creating a vast new "mainstream consumer market for IT products that combine television with the interactive information resources of the internet. If the world's leading chipmakers, comin bringing their technology ing based on networks of to the masses, the boom of desktop PCs, have been in the mid-1990s may prove to have been just the beginning of a period of even more

	•	Country		٠.	Safeti (USSbn)
GEC		US			78.5
Hinch		Japan		:	75.74
Metsushila		Japan	-		69.1
Sigmens .		Germany			63.7
Sony		Japan			'50.3° .
Toshiba		Japan			49,5
NEC '		Jacoen			43.9*
Philips		The Netherlands	•		41.0*
ABB		Switzerland			34,8
Mittau dolahi		Jenen			39.11

mber 1995; ¹ year to March 1997

expansion toward market- to analysts at UBS Securities chipmakers maintain. "All the troubled economies in Asia cannot export their way out of their current financial problems," says George Scalise, president of the Semiconductor Industry Association, a US trade

Similarly, US producers of computer disk drives face mounting competition from Asian producers whose costs measured in dollars – have

dropped sharply. Yet for US makers of personal computers, who can take advantage of the lower Asia, falling currencies in the region may be good

Merrill Lynch who follows driven growth, the US who predict this will lead to slower growth in the worldwide PC market next In general, however, the

> growth of Asian IT markets over the past few years has not been driven by strong economies. Rather, sales bave stimulated by Asian IT. users rushing to catch up with computing trends well established in the west. Japanese industries,

slower to shift from mainframe computers to the "client-server" model of computcost of components built in catch-up mode and spending heavily.

Now, Japanese companies rapid growth.

CHEMICALS • by Michael Peel

East and west go separate ways



David Wilbraham, chief executive officer of Hickson International Britain's chemical industry is a substantial contributor to the nation's wealth. with the great majority of chemical production exported. The whole chemical sector is undergoing a period of petrochemicals, plastics and fibres that provided growth in the past are now becoming commodities and face consolidation. The

focus has switched to

more added value and

product differentiation.

specialty chemicals with

The name of the game is to be number one or two in a defined niche. Consequently, as companies reposition themselves, the

acquisitions, divestments aud spin-offs that characterised 1997 are likely to continue. The other major factor is of sterling by 30 per cent against the D-Mark in less than a year equates to a 30 per cent price reduction on exports to the European Union. Such instability makes planning difficult and tests the industry's

Europe and US are having to concede markets to low-cost manufacturers An east-west divide is opening up in the chemicals short-term profits for shareindustry as low-cost manu-

facturers in south-east Asia share of the global commodity chemicals market. Many European producers have decided they cannot compete on production costs and have spun off or sold

their industrial businesses. They are concentrating ad on specialty chemi The changing shape of the industry reflects the different focuses of eastern and

western manufacturing.

Operations to produce commodity chemicals such as titanium dioxide and polyethylene tend to be relatively straightforward to set up and run. Consequently, the businesses are low-margin and prices are uniform.

On the other hand, the manufacture of specialty products requires technical expertise. This makes it more difficult for new entrants to the sector to undercut established companies on production costs.

why companies in Asia are targeting commodity chemicals. They also have greater freedom than their western counterparts to introduce significant new capacity as they are not under the same pressure to deliver

A great deal of industrial chemicals capacity is also coming on stream in the US where many companies have reinvested profits earned in 1994 and 1995 in new plants. Peter Blair, chemicals analyst for Salomon Smith Barney. says US ethylene capacity increased by 9 per cent in

Worldwide increases in manufacturing capability have led to oversupply of ene. polyethylene. PET, styrene and a wide range of chemical fibres. Charles Brown, chemicals analyst for Goldman Sachs, savs: "There are very few products that are booming and quite a lot that are depressed, and that is consistent with there being a reasonable amount

of capacity about." Other events in Asia last year adversely affected western chemicals companies. The recent slowing of economic growth in Asia made it more difficult for Euro-

Results Chemicals Companies					
	Country	1996 sales (US\$bn)			
Hoechst	Germany	33,953			
BASF	Germany	32.517			
Bayer	Germany	32,405			
DuPont	US ´	23,600			
ICi .	UK	17.179			
Rhone-Poutenc	France	16.794			
Minutes in Chemical	Japan	15.923			
Alczo Nobel	The Netherlands	13.277			
Asohi Chemical	Japan	11.872			
Fuji Photo Film	Japan	11.509			

pean and US companies to export. "The areas (of southeast Asia] are becoming self-sufficient in terms of commodity chemicals," says Mr Blair.

"The Europeans are net see import pressures [into Europel and pressures on prices in terms of plastics and chemical fibres.

In this context, it is hardly surprising that European manufacturers have been exiting in droves from commodity chemicals. ICI is the most dramatic

example. It bought Unilever's specialty chemicals businesses last year for £4.9bn. and sold its titanium dioxide and polyester businesses to DuPont, of the US, for \$3bn. The UK group is also looking to dispose of its fertilisers, explosives, petrochemicals and halochemicals businesses.

Other European groups have looked to form compa

nies devoted to the manufacture of specialty chemicals. Clariant was created by merging parts of Sandoz, of Switzerland, with parts of the German group Hoechst. Ciba Specialty Chemicals was spun out of Novartis.

the Swiss company.
The financial markets have been kind to those who have decided to specialise. Again, ICI is a striking example: its share price rose from 688p to a high of more than 1,100p recently on the back of its acquisition and

divestment programme. Spectacular rises of this type seem to be based on pessimism about the future of commodity chemicals production in the west rather than a conviction that specialty chemicals will generate large profits in the future. "I think it's a bit of a Lyonnais Laing.

structurally high-cost prochemicals," says Mr Blair.

"In Europe, in the past, companies have struggled to investment in commodity chemicals, and I think in the future that will get tougher lar was strong. because of the emergence of Middle East, Canada and Venezuela."

Competition of this sort has already forced many western companies to alter radically their commodity operations. Mr Brown says: "In dyestuffs we have seen a considerable contraction, with the number of producers diminishing and quite a lot of capacity being taken out, and a number of producers being prepared to outsource and even buy products in India and upgrade

Many analysts think companies which have retained substantial interests in the commodities sector - such as BASF (Germany), Solvay (Belgium), and DSM (the Netherlands) - will soon decide to abandon industrial chemicals. "They will try to move towards more valchemicals analyst for Credit

ducer of several commodity tional last year. Volumes grew by about 7 per cent as many companies built up inventories. European speci ality chemicals companies into the US because the dol-

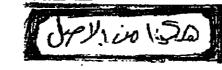
Global demand for spe

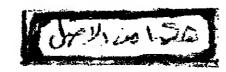
Volumes are predicted to grow by a much more mod-A weakening of the dollar could affect US demand.

Competition from south east Asia could also assume greater importance. Companies in countries such as India and China are allying technical knowledge to low cost production to make spe ciality items such as pharmaceutical intermediates and finished drugs. The products are low-bulk and cheap to ship to export mar-

The future of the new-look chemicals companies in the west could depend in part or their ability to adapt to this year I thought we would be in a far worse position than we are, especially in plas-

tics," says Mr Blair. "But, in fact, the margins have continued to increase. ue-added areas of chemis- and the supply-demand situtry." says Jeremy Chantry, ation has been strong It's just a matter of how long they can sustain that."





Who says major competitors can never agree?

Within the next two weeks, the future of personal mobile telecommunications will be decided by you, the representatives of the telecommunications industry.

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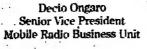
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Pascal Debon Group Vice President and General Manager GSM Wireless Networks



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President
Mobile Network Division

Georges Gérard Senior Manager Sony Europe GmbH

SONY

FOOD AND DRINK • by John Willman

Squeeze is on the smaller players

Brew for thought: alcoholic drinks producers now look set for some

Tumbling trade barriers allow the biggest groups to become even stronger

It is a rough, tough world when a food group with they took it," says Michael global aspirations says it has to back out of a dominant position in the world's seventh-largest market for one

had to do just that at the start of this month when it ing competition in the PepsiCo's food division.

cent of the market in out their smaller competi-Australia, while the US group was a distant number two. But with annual snack sales globally at just £876m, and Nestle slugging it out the UK group found itself for dominance in a £25bn-aoutgunned by a competitor year market where sales in with sales of almost \$10bn a

sustained assault on the giant paid \$930m in October Australian launching promotions such as the tazos both groups are expected to

had been so make further acquisitions. Leading food and beverage companies

	Country	1996 sales
		(US\$bn)
Linilever	UK/the Netherlands	33.953
Nestié	Switzerland	32,517
Conagra	US	32,405
Sara Lee	US	23,600
Coca-Cola	US	17,179
RUR Nabisco	US	16,794
Compart	italy	15,923
Group Danone	France	13.277
Archer Daniels Midland	US	11,872
Grand Metropolitan*	UK	11,509
* Mose med of Discout		Source: Former

successful in other countries. UB had largely seen off the challenge, but at no little cost to profits - and the prospect of a clean exit from the business became irresistible.

Pepsi offered them a lot of money to go away - and Landymore, of Henderson Crosthwaite, the London stockbroker.

UB's decision - welcomed of its core products. by the markets with a record Yet United Biscuits felt it jump in the company's share price - reflects the intensifycompleted the sale of its world's food and drinks mar-Australian snacks operation kets. In category after catefor \$440m to Frito-Lay, gory, one or two big global groups are emerging as the UB had more than 50 per dominant forces, elbowing tors and local manufactur-

In ice cream, it is Unilever emerging economies double every three to five years. Frito-Lay had mounted a The Anglo-Dutch consumer market, to snap up Kibon, Brazil's waves of largest manufacturer - and

In breakfast cereals, more than half the world market already belongs to Kellogg and Cereal Partners Worldwide, a joint venture between General Mills of the US and Nestlé. Kellogg still has more than 40 per cent of the market, but since its formation in 1990 CPW has taken almost 13 per cent -

head to head. in the carbonated soft drinks market, Coca-Cola retains its 48 per cent share. but PepsiCo, with 22 per cent, is likely to give Coke a harder run for its money now it has spun off its restaurant operation to focus is expected to launch their sectors. And they are

more in the countries where

the two groups compete

on beverages and snacks Until now, the alcoholic drinks industry has remained relatively fragmented despite the global reach of the leading companies and their brands. In spirits and wines, for exam-

ple, no group has had more

than 5 per cent of the

branded products market. That looks set to change with the £23bn merger of Guinness and Grand Metropolitan at the end of last year to form Diageo, the world's largest drinks group. It will have twice the sales of either of its two biggest competitors, Allied Domecq (UK)

another round of consolidation in the industry.

Diageo expects to find cost-savings of around £200m a year within three years of the merger. But analysts expect further benefits from the marketing and distribution synergies of putting together a portfolio of 14 of the world's top 100 spirit brands - which includes Johnnie Walker scotch whisky. Gordon's gin and Smirnoff vodka.

In the food and drink industries, it is such global brands - backed by enormous budgets for marketing and product development and Seagram (Canada), and that increasingly dominate

trade barriers fall, says Chuck Brymer, chief executive of Interbrand, the global branding group.

"This is a real issue for Latin American companies," he says, "as free trade areas such as Nafta and Mercosur bring greater competition from US brands.

There remains a place for local producers in bringing new products to the market. according to Euromonitor, the market research company. It predicts that the big drinks companies will use products such as soiu from Rorea and cachaca from Brazil to enliven stagnant western markets and boost sales. A recent report from Flem-

ings, the investment bank, suggests brewers in emerging markets are best placed to cash in on the forecast growth in beer sales. With the market in developed countries flat, any growth is likely to be in their domestic bases in Asia, Africa and Latin America.

There are large international brewing groups such as Anheuser-Busch (US). Heineken (the Netherlands) and Carlsberg (Denmark). But there are no true international brands that rank with Johnny Walker, Coca-Cola or Nescafé in the world's consumer markets.

Flemings identifies the fastest-growing brands globally as Castle, produced by South African Breweries, and Brahma, the Brazilian beer. Both are already in the world's top 10 brands and rapidly expanding outside their home countries.

An increasing

companies are

now 'following

the customers

nationalising

evelical downturns.

countries.

many manufacturing compa-

strategy is whether by inter-

operations they can increase

sales and profits, while also

minimising their exposure to

Other goals, according to a

number of

MANUFACTURING • by Peter Marsh



John McGrath, chief executive of Diageo I believe 1998 will see continuing consolidation in the food and drinks industries. The next pla has started in the drinks business with the merger of Guinness and Grand Metropolitan to form Diageo. It remains to be seen which companies follow suit and what sort of arrangements they

face serious problems. For the alcoholic drinks monstry, there will be make with each other. But the big question for the food and drinks companies in 1998 is whether they

even greater marketing investment behind the big global brands.

set great store by

annovation. I believe the

gap will widen between

companies that innovate:

and those that do not. In

are stack in low

value-added produce will

the food industry, for

can count on the emerging markets to provide growth in product categories which have reached maturity in the developed world. If the economic turmoil in eastern

Latin America, the ambicould be stalled.

In such circumstances, the competition in North America and Europe will become even more intense - and is likely to lead to more hardnosed decisions such as that of United Biscuits.



Soccer provides rich rewards for manufacturers and retailers in the form of replica kit which, much to the chegrin of many parents, can change frequ

SPORTS GOODS • by Patrick Harverson

Hurdles are getting higher

Sustaining the success of recent vears is likely to prove a tough challenge

A stroll through any busy shopping centre in the US. Europe or Japan on a Saturday afternoon will attest to the extraordinary popularity of branded sportswear in the

The huge demand worldwide for brands such as Nike, Reebok and Adidas has contributed to the enormous growth in the sports goods industry over the past

In the last decade the worldwide market for sports clothing, shoes and equipment has expanded 75 per cent to become a \$130bn-ayear retail business.

However, as any sports team knows, achieving success is one thing...sustaining it is another. Today, there are signs that the peak of the sports goods industry cycle may have already passed. Matching the growth of the recent past will prove a big challenge in 1998. Behind the concern about the outlook for next year lie

two developments. First, the industry's largest and most developed mar- shop counter," says Mr Morkets - the US and western gan Europe - appear to have peaked and may be entering

a phase of slower growth. Evidence of this comes pripanies in their domestic ing by 23 per cent to \$159.2bn

"The big problem for Ree-Rowan Morgan, sports goods analyst at Nikko Securities in London. "We had evimanufacturing contracts many months ago. They and Reebok budgeted for much bigger growth in the US than happened last year, so the market is now awash with their products."

industry's horizon is the economic turbulence buffeting Asian economies. This is particularly worrying because with growth in the developed markets likely to slow, sports goods companies were looking to expanding Asian markets to maintain the recent momentum.

The second cloud on the

It may be too early to judge how much damage will be inflicted on the sports good industry by the economic crises in Japan, South Korea and elsewhere, but analysts are clearly worried. "If all these economies are bombing out, then people are just not going to be in a position to shell out the equivalent of £60 for a pair of trainers. So while I think demand will be there. it will be latent demand rather than hard cash on the

However, not everyone is so pessimistic. A report from Morgan Stanley Dean Witter. the US investment bank. martly from the discomfort forecasts the global retail felt by US sports goods com- market for sports goods ris-

same pace of growth as in bok and Nike is they read the last five years. The forethe US market wrong," says cast is based on the belief that "an expected deceleration of growth in the US, from 33 per cent between dence of Nike cancelling 1991 and 1996 to 19 per cent between 1996 and 2001, will likely be offset by other leading markets," says the

> report Certainly, the key factors that have driven the strong growth of the past decade rising incomes, lifestyle changes, heavy advertising spending and media coverage, and the emergence of sports brands as fashionwear are unlikely to disappear overnight

Yet if the troubles in eastern Asia do lead to a general worldwide economic slowdown, the industry will not be able to rely on rising incomes to sustain demand. Also, while the influence of lifestyle changes - such as more participation in sport and active leisure pursuits. and the rise of informal clothing at work and school - may continue to be apparent, they are likely to take longer to impact demand in newer markets where the pace of social change is much slower.

As for the fashion element in sportswear's popularity, it is impossible to predict what will happen next, which is one of the dangers for sports goods companies. Just as sportswear can be come fashionable, so it can hecome unfashionable. The big companies claim

not to be worried about fash-

by 2001. That is roughly the ion, and believe the strength of their products' appeal lies in performance and technology, not passing fads. Certainly innovation in sportswear, and shoes and equipment in particular, has the industry. been a significant factor

behind the past decade's boom. Nike has led the way in shoe technology, while companies such as Callaway in the US have revolutionised the golf equipment market with new technologies, and their R&D spending will continue to grow in 1998 and Golf is expected to be the

sport that sees the biggest growth in equipment sales during this year - in part due to the extraordinary influence of US star Tiger Woods on young would-be golfers - followed by winter sports, where growth in snowboard sales should help offset the continued slump in alpine ski demand. Tennis equipment, once so strong, will continue to lag behind. suffering from the sport's current lack of popularity

If economic forces turn against the industry, heavy spending on promotion and advertising should help soften the impact. Every big company has learned that high-profile, innovative marketing is effective in driving demand, and they continue to spend very large amounts accordingly. Analysts forecast that Nike will spend more than \$1bn on advertising and promotion this year. Adidas more than \$600m and Reebok about \$400m.

The apparently insatiable demand for sports programming, news, information and analysis in the broadcasting. printed and online media will also provide support for

The soccer World Cup in France next summer, for example, will be as much about a battle of the brands as it will be about which country deserves to be the sport's champion. A lot of kits, boots and footballs can be sold when a cumulative audience of more than 30bn watches the month-long

Pricing remains an important issue, but few commentators expect margins to come under pressure from price competition. "There is no benefit to the companies of trying to engage in a price war." says Nikko's Mr Morgan. "All that does is drag everybody down. What you will see is higher specification on the product to maintain the price and keep the price-margins structure in place."

However, if intense competition in the industry does lead to something this year it could be further consolidation of the market, along the lines of the upcoming purchase of Salomon, the French sports goods company, by Adidas. The big are likely to get bigger, says Morgan Stanley. "In this fast-changing environment. we believe that other makers may start to consider mergers or tie-ups in order to survive in an increasingly competitive market.

can spread risks ing, telecommunications. white goods, vehicles and power engineering.

Asia deepens or spreads to

Going international

than \$5bn a year, started its the behest of customers, The risks and benefits of including International Business Machines (IBM), which key areas for decisions in were setting up foreign manufacturing operations. By splitting itself into five main "global product groups" the company hopes to match as fully as possible its customers' requirements with its own internal resources, according to Bill Hudson, AMP's chief executive.

recent study* on globalising in manufacturing by Arthur D. Little. the consultancy, include taking advantage of lower production and delivery costs, reducing currency risks, and meeting the demands for local supply from customers in specific Perhaps the most important aspect for many companies is that by spreading their sales internationally

investment in areas such as product development and manufacturing know-how. An important consideration is the use of modern information technology systems both to help managers and engineers in geo graphically diverse areas to work on joint projects, and disseminate as widely as possible the fruits of their work around the operations

they can multiply the bene-

fits from set amounts of

of the company. A good example of a company fitting in with these trends is Johnson Controls, a US manufacturer of automotive parts and control systems for buildings.

In the mid-1980s, it took notice of car companies' need to outsource production of vehicle seats, an activity they had until then undertaken mainly at their own plants. Now Johnson produces some \$7bn of seats and other car interior parts for cars a year, with much of the growth having resulted from the company following customers such as General Motors and Ford in their own international operations by setting up components factories close to the carmakers' plants.

While Johnson's seats sales are currently split roughly 70:30 between North America and western Europe, Jim Keyes, the chairman, says that by 2000 the company will have "significant" sales in these products in other regions, particularly eastern Europe, South America and east Asia.

Also implementing the follow your customers' strategy is AMP, the US company which is the world's biggest makers of electrical connectors for

industries such as comput- vice-president in charge of

AMP, with sales of more nology through foreign non-US plants in the 1950s at Cincinnati Milacron, the US

While the goal of reducing labour costs explains many multinationals' efforts to set up plants in low-cost regions such as eastern Europe and China (particularly for supplying local markets such as western Europe and other parts of Asia), most companies realise that, given the tendencies for world manufacturing costs eventually to level out, these moves are essentially no more than short-term strategies.

A more potent approach is to internationalise, either to secure access to new markets which would be difficult to reach from the companies' home base, or to tap technologies that would be difficult to acquire in any other way. A joint Venture between Worthington Industries and Armstrong World Industries, two US engineering companies, is an example of the first stance. In five years it has carved out a 19 per cent share of the European market in ceiling support systems for buildings, a spe-

cialist yet fast-growing part of the construction industry. The two companies came together to set up the first of three European plants in 1992, to capitalise on their previous expertise in supplying the US industry. By the end of the century, the joint venture - called Wave intends to open more plants in Europe to push their share of the market within Roberts, Worthington's corporate development. An example of a company

branching out into new tech operations is provided by machinery company which in the 1990s took over two strategically-important Ge man companies in an effort

to widen its product range. The acquisitions of Ferromatik in 1993 and Widia in 1995 - makers of plastics production machinery and cutting tools respectively helped the company to move more deeply into these fields and away from its traditional reliance on machine tools. At the same time according to Dan Meyer, chairman, they helped Cincinnati's switch away from the US as the dominant

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place for its business In 1997, almost half the company's sales of nearly \$2bn came from outside the US, up from just one-third in 1990, while over this period the proportion of employees based outside the US has risen from 20 per cent to 40

Even given the trends to internationalisation in many companies, according to Arthur D. Little, too few have given sufficient global thought when it comes to component supply - an important field which in many manufacturing companies can account for 50 per

cent of total costs. According to the consul tants' study of 25 European companies with 500 plants in 38 countries, only 60 per cent had harmonised most or all of their supply operations, such as through forming lists of global suppliers who could provide components to a number of plants. This is surprising says the consultancy because "in our view all important suppliers should be selected at a

global level". Best Practice in Globalising Manufacturing: A Survey of Selected European Compa the continent to more than co-operation with Technische one-third, according to Ralph Hochschule, Darmstadt, Ger-

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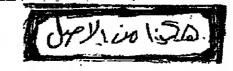
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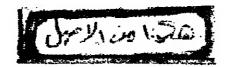
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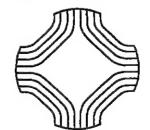


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